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CENTRAL EURASIA



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FBIS Report: Central Eurasia

FBIS-USR-94-095

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POLITICAL AFFAIRS

Draft Human Rights Program Previewed

944F1202A Moscow OBSHCAYA GAZETA
in Russian No 31, 5 Aug 94 p 2

[Report by Ivan Akkuratov: "More Rights for Russians"]

[Text] "The main purpose of the Federal Program is to provide an objective picture of human rights in post-totalitarian Russia and to offer a format for the planning and coordination of government efforts for a fundamental improvement in the situation in this sphere based on the Constitution and international legal commitments of the Russian Federation" (from the draft Federal Program of Action in the Field of Human Rights).

Human rights in Russia are being tackled in earnest, it would seem—it is rumored that this document is already on the president's desk. The draft was prepared jointly by the Russian Ministry of Foreign Affairs and the Commission for Human Rights under the president of the Russian Federation. The proposals of more than 20 departments were considered in its elaboration.

The conceptual basis of the program are the principles recorded in UN Charter and the General Declaration of Human Rights and in international civil rights pacts. Of the dozens of provisions in the program, the drafters consider most important the following: recognition of the basic rights and liberties of the individual as inalienable and imprescriptible, the obligation of the democratic state based on the rule of law to defend human rights against all encroachments, and limitation of the level of the command authority of the state to the necessary minimum. Although the concept of the assurance of human rights appreciably limits the spheres of competence of the state, it not only does not contradict, in the opinion of the authors of the draft, but, on the contrary, it promotes a strengthening of Russian statehood. And a strictly identified sphere of state competence leaves also a great field for the development of democracy in society.

The program is geared to the creation in Russia of the conditions for the building of a democratic state based on the rule of law. It is acknowledged also that human rights and liberties are being violated in the country, as before. Legislation that is outdated and repressive in nature operates. Nor have there been any changes in the judicial protection of human rights. Responsibility for a violation of the citizens' human rights is inadequate.

Structurally, the draft federal program incorporates eight areas. The program proposes primarily a revision of current legislation and legally binding enactments from the viewpoint of their conformity to constitutional laws and individual liberties. The judicial system requires the accelerated preparation and presentation for consideration by the State Duma of legislative instruments regulating the organization and the activity of the courts. A

draft federal law on information that specifies the sanctions in the event of unlawful restrictions on its freedom must necessarily be devised. The adoption of one further document—a federal law on the inviolability of the private life of the citizens ensuring protection of personal and family secrets is required. It is proposed in foreign policy completing the work on a draft Convention on Human Rights of the CIS and seeking its speediest adoption by the heads of state of the Commonwealth. Protection of the rights of the socially unprotected groups of the populace has been introduced for the first time. Not only orphaned children, the handicapped, and the elderly, but also convicts, servicemen, refugees, and involuntary immigrants are in this category. Particular measures of protection are proposed for each of these groups.

The program takes account of the provisions of the Report on the Observance of the Rights of Man and Citizen in the Russian Federation in 1993. The draft also determines the priority areas of work with regard to the socioeconomic and political situation in the country.

Gaydar Party Publishes Journal 'OPEN POLICY'

944F1202B Moscow OBSHCAYA GAZETA
in Russian No 31, 5 Aug 94 p 12

[Article by Anna Mazepa: "A Party Press System Is Once Again Being Created in Russia"]

[Text] And the first party that has involved itself in this in earnest is, of course, Russia's Democratic Choice (Yegor Gaydar's party). The first issue of the party journal of the RDC ((Russia's Democratic Choice)) has been published. It is called, quite pretentiously, OTKRYTAYA POLITIKA ((Open Policy)).

Does the makeup of the editorial council predispose us toward optimism and "open policy"? Judge for yourselves, it contains the same old people, as they say: Alla Gerber, Pavel Gutontov, Kirill Ignatyev, Boris Zolotukhin, Kronid Lyubarskiy, Vladimir Mau, Sergey Yushenkov, and certain other party members. It is not surprising that with such personnel, the first issue is thus far "middling": On each page Gaydar is mentioned about 20 times, and in exclusively admiring fashion. But this does Yegor Timurovich a dubious service!

One feels that the authors very much wanted the journal to appear respectable and liberal. But, alas, this has not happened as yet. Perhaps not alas.

It is interesting that although the journal is exclusively a party publication, in terms of forms of ownership it is private. It has four founders, individuals all. Yegor Timurovich himself, then Sergey Kovalev, the well-known civil rights advocate from the president's team, Aleksey Ulyukayev, former economic adviser in Gaydar's government, and Viktor Yaroshenko, the well-known political commentator who was previously head of the NOVYY MIR current affairs department and who

even earlier had for 20 years worked in the Komsomol press and who is now chief editor of the Yevraziya Publishers. It is he that is the principal figure in the new journal, having published the first issue with the resources of his own publishing house.

In addition, Yaroshenko is head of the party Commission for Information Policy, which means that he will be in charge of the creation of a system of the RDC party press in Russia on the basis of 56 regional branches of the party, on which the Political Council adopted a special decision. The founders of the journal regard its publication as the start of the creation of a consortium of the democratic press in the country. Let us hope that they will not need for this to go to beautiful Switzerland for about 10 years. Whence the money for the consortium? Yaroshenko does not yet know, but it will unfailingly be there.

In his opinion, society itself has an interest in this, inasmuch as the first stage of the establishment of a new political regime is over and society aspires to strict structuralization. All are scattering to their burrows, which they are trying to reinforce. The party press is a method of such reinforcement, inasmuch as it will not, most likely, be those who shout the loudest about the people's misfortunes and promise something clever but those who are able in the time remaining to organize themselves into structures better than others who will win the future elections.

With the tightening of the social system it is absolutely essential, evidently, to spend money on regularly stating somewhere or other one's positions and new ideas, distributing new editions of the journal to well-known addresses within the Sadovoye Beltway. Such an aspiration is indicated by the print run of OTKRYTAYA POLITIKA—just 5,000, that is, for one's "own people" and for those who are "necessary."

As we know, journals today have a tendency to die out, having lasted for some two or three issues. Viktor Yaroshenko says about the prospects of OTKRYTAYA POLITIKA that it will, in effect, gratify politically engaged readers for as long as Gaydar's party remains "moral." Should this be taken to mean that financial problems will not be a concern for the RDC's publishers? "I will close down this journal," the chief editor declared, "when I come to understand that the party is immoral. I have quite a sober view of life and will notice when this has happened." God grant that it be so, although there are many doubts on this score. History has demonstrated repeatedly that if someone has fetched up in a strict political structure, it is very difficult for this person to remain sober and objective.

Procedures for MVD Organs on Citizenship Questions Outlined

Order on Organizing Work

944F1233A Moscow ROSSIYSKIYE VESTI—
RETSEPT in Russian 11 Aug 94 p 4

[Order No. 330 of the Russian Ministry of Internal Affairs, "On the Organization of the Work of the

Internal Affairs Agencies in Implementing Russian Federation Legislation on Citizenship"; promulgated 30 June 1994; signed by Gen of the Army V. Yerin, minister of internal affairs]

[Text] For the purpose of implementing the 28 November 1991 Russian Federation Law on Russian Federation Citizenship, the 17 June 1993 Russian Federation Law on Changes in and Additions to the RSFSR Law on RSFSR Citizenship, and the Russian Federation president's 27 November 1993 Edict No. 2299, "On Changes in and Additions to the Statute on Procedures for Considering Questions of Russian Federation Citizenship," I order:

1. That the Instructions on the Organization of the Work of Russian Federation Internal Affairs Agencies in Considering Questions of Russian Federation Citizenship (Appendix 1) shall be confirmed.

2. That the republics' ministers of internal affairs, the directors of the internal affairs administrations (or main administrations) of the krais, oblasts, Moscow, St. Petersburg and Leningrad Oblast, the autonomous oblast, autonomous okrugs, and the internal affairs administrations (internal affairs departments) of the Eighth Main Administration of the Russian Ministry of Internal Affairs:

2.1. Shall organize the study by internal affairs agencies' personnel of the Russian Federation Law on Russian Federation Citizenship, the Statute on Procedures for Considering Questions of Russian Federation Citizenship, along with the changes in and additions to them, and the Instructions, and to ensure their implementation.

2.2. Shall take measures to produce forms for applications and petitions, certificates, notices and stamps in accordance with Appendices 1-6, 11-13, 15 and 16 to the Instructions.

3. That the Passport and Visa Service of the Russian Ministry of Internal Affairs (R. A. Kuznetsov) shall ensure the timely preparation of materials and conclusions for the Russian Federation president's Commission on Questions of Citizenship, and oversight over the implementation of decisions on questions of citizenship.

4. That the Russian Ministry of Internal Affairs's Production and Economic Administration (P. V. Nelezin) shall produce the necessary number of copies of the Instructions for subdivisions of the central apparatus of the Russian Ministry of Internal Affairs and the internal affairs ministries, internal affairs administrations (or main internal affairs administrations), and city rayon internal affairs agencies, as well as educational institutions belonging to the system of the Russian Federation Ministry of Internal Affairs.

5. That an Appendix 1, in accordance with Appendix 1 to this order, shall be added to the Instructions on

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Procedures for Making up and Issuing to Citizens Passports and Inserts Attesting to the Possession of Russian Federation Citizenship, as ratified by the May 1993 Order No. 210 of the Russian Ministry of Internal Affairs.

6. That the Russian Ministry of Internal Affairs' 28 May 1992 Order No. 183 shall be considered no longer valid.

7. That oversight over the implementation of this order shall be assigned to Col Gen of the Militia A. N. Kulikov, deputy minister.

[signed] Minister
General of the Army
V. Yerin

Instructions

944F1233B Moscow ROSSIYSKIYE VESTI in Russian
11 Aug 94 pp 4-5

[Russian Federation Ministry of Internal Affairs Instructions on the Organization of the Work of Russian Federation Internal Affairs Agencies in Considering Questions of Russian Federation Citizenship; registered with the Russian Federation Ministry of Justice 19 July 1994, registration No. 637; appendix to the 30 June 1994 Order No. 330 of the Russian Ministry of Internal Affairs]

[Text]

1. General Provisions

1.1. These instructions establish the procedures for the activities of internal affairs agencies in implementing the 28 November 1991 Russian Federation Law on Russian Federation Citizenship (hereafter referred to as the "Law") and the Statute on Procedures for Considering Questions of Russian Federation Citizenship confirmed by the Russian Federation president's 10 April 1992 Edict No. 386 (in the version of the Russian Federation president's 27 December 1993 Edict No. 2299 (hereafter referred to as the "Statute")).

1.2. Subdivisions of the internal affairs agencies' passport and visa service (hitherto referred to as the internal affairs agencies) shall prepare materials pertaining to Russian Federation citizenship with respect to persons who are residing on the territory of the Russian Federation on legal grounds and have presented all the necessary and correctly prepared documents stipulated by the aforementioned Law and Statute.

The preparation of applications or petitions pertaining to Russian Federation citizenship is carried out by Russian Federation internal affairs agencies, regardless of the date by which an applicant has been registered by place of residence on the territory of the Russian Federation (the concept "place of residence" is given in Article 2, Part 3, of the Russian Federation Law on the Right of Russian Federation Citizens to Freedom of Movement

and Choice of Place of Sojourn and Residence Within the Boundaries of the Russian Federation).

For persons who have come to Russian Federation territory in connection with labor agreements, studies or other purposes, as well as citizens of the former USSR who have the status of refugees, materials pertaining to citizenship shall be prepared following a decision according to procedures established by existing legislation concerning their place of residence in the Russian Federation.

1.3. Applications or petitions pertaining to citizenship shall be submitted by persons having legal capacity. Prior to attaining the age of 18, a person shall acquire legal capacity in full at the time of entering into matrimony (Article 11 of the RSFSR Civil Code).

1.4. Prior to the institution of an identity card and passport for citizens of the Russian Federation, the documents confirming Russian Federation shall be: the passport of a USSR citizen with a notation of Russian Federation citizenship, or the passport of a USSR citizen with an insert attesting to possession of Russian Federation citizenship; the passport of a USSR citizen with a residence permit confirming permanent residence on the territory of Russia as of 6 February 1992; a birth certificate, a serviceman's identity card (service record) with an insert issued for it attesting to possession of Russian Federation citizenship (hereafter referred to as passports and inserts, unless otherwise specified).

2. Acquisition of Russian Federation Citizenship as the Result of Recognition

2.1. The following citizens of the former USSR are recognized as Russian Federation citizens in accordance with Article 13, Part 1, of the Law:

- those who were in permanent residence on the territory of the Russian Federation as of 6 February 1992, if they did not declare their unwillingness to acquire Russian Federation citizenship within a year from the day the Law entered into force;
- those who were in permanent residence on the territory of the Russian Federation and had temporarily left its borders prior to 6 February 1992 in connection with work, studies, treatment or personal affairs, and returned to Russia after the Law entered into force;
- military personnel of the Russian Federation Armed Forces and other forces and military formations of Russian Federation ministries and departments in which military service is specified in the Law, if, as of 6 February 1992, they were performing military service in military units under the jurisdiction of the Russian Federation, regardless of the place where they were stationed, or they arrived on the territory of the Russian Federation to perform military service after the date indicated.

2.2. For persons who have acquired Russian Federation as the result of its recognition in accordance with Article 13, Part 1, of the Law, the internal affairs agencies shall issue inserts attesting to their possession of Russian Federation citizenship to be included in their existing identity documents.

3. Acquisition of Russian Federation Citizenship on the Basis of Applications and Petitions

3.1. Foreign citizens and stateless persons who are in permanent residence on the territory of Russia, as well as citizens of states that previously belonged to the former USSR who have come for residence to the territory of Russia, shall acquire Russian Federation citizenship by petition as the result of admission in accordance with Article 19 of the Law.

3.2. Citizens of the former USSR who are not citizens of states belonging to the former USSR who have come for residence to the territory of Russia from those states after 6 February 1992 shall acquire Russian Federation citizenship by application through registration in accordance with Article 18, point (d), and following the expiration of that point, by petition as the result of admission in accordance with Article 19 of the law.

3.3. Citizens of the former USSR who left for permanent residence outside its borders and have come for residence to the territory of Russia after 6 February 1992 shall acquire Russian Federation citizenship by application through registration in accordance with Article 18, point (d), and after the expiration of that point, by petition as the result of admission in accordance with Article 19 of the Law.

3.4. In the event that they have a spouse or relative in direct ascending line (father, mother, grandfather, grandmother, etc.) who is a Russian Federation citizen, persons belonging to the categories indicated in points 3.1, 3.2 and 3.3 of these Instructions shall acquire Russian Federation citizenship by application through registration in accordance with Article 18, point (a), of the Law, regardless of the length of their residence on the territory of Russia.

3.5. Former citizens of the Russian Federation whose citizenship has been terminated in connection with their adoption or the appointment of foster parents or guardians, or in connection with a change in their parents' citizenship, shall have their Russian Federation citizenship restored by petition through registration in accordance with Article 20, Part 1, points (a) and (b), of the Law.

3.6. Former Russian Federation citizens whose citizenship has been terminated on the basis of their own free will shall have their Russian Federation citizenship restored by petition in accordance with Article 20, Part 3, of the Law.

3.7. Former RSFSR citizens who come under Article 20, Part 2, of the Law shall secure the restoration of their

Russian Federation citizenship according to the procedures stipulated in point 6.3 of these Instructions.

3.8. The children of former Russian Federation citizens who come under Article 18, points (a) and (c), of the Law shall acquire Russian Federation citizenship through registration regardless of their length of residence on the territory of Russia.

Changes in the Citizenship of Children

4.1. A change in the citizenship of children is possible in the following cases:

- in the case of a change in the citizenship of both parents or a sole parent—by application or petition by one parent or the sole parent;
- in the case of a change in the citizenship of one parent—by application or petition by the parent who is a Russian Federation citizen, and with the written, notarized consent of the other parent;
- without a change in parents' citizenship, in case they have different citizenship—by application by the parent who is a Russian Federation citizen, and with the written notarized consent of the other parent, by the parent who has different citizenship;
- in the event of the death of parents—by petition by adoptive parents, foster parents or guardians.

4.2. In all cases, the citizenship of children ages 14 to 18 years shall be changed and preserved with their written, notarized consent.

4.3. The Russian Federation citizenship of a child shall be terminated on the condition that he has been granted other citizenship, except for cases in which he is relinquishing Russian Federation citizenship at the same time as both parents or a sole parent.

4.4. If one parent acquires Russian Federation citizenship and the second remains a stateless person, a child shall be granted Russian Federation citizenship by application or petition by the parent who is acquiring citizenship. The consent of the other parent who remains a stateless person shall not be required in such cases.

Procedures for Preparing Materials Pertaining to the Acquisition (Restoration) and Termination of Russian Federation Citizenship

5.1. The acquisition of Russian Federation citizenship on the basis of Article 18 (except for points (e) and (f), which expire on 6 February 1993) and Article 20, Part 1, and the termination of Russian Federation citizenship as the result of the relinquishment of citizenship on the basis of Article 23, Part 1, point (b), shall be carried out through registration. In such cases, applications conforming to the established model (Appendices 2 and 3 to the Instructions) shall be submitted to internal affairs agencies.

5.2. In other cases of changes in citizenship that do not fall under the registration procedure, petitions conforming to the established form (Appendices 4, 5 and 6 to the Instructions) shall be prepared and submitted to internal affairs agencies, addressed to the Russian Federation president.

5.3. The internal affairs agencies shall receive applications and the documents appended to them in one copy, and petitions and the documents appended to them in two copies.

A staff member of the internal affairs agencies shall verify the accuracy of an application or petition, the correspondence of the surname, given name and patronymic given in it to the document that is presented as evidence of the applicant's identity, and the presence of all necessary documents and a receipt for the payment of state fees, and shall affix his signature to attest to the authenticity of the explanations and applications drawn up in his presence and the correspondence of the copies of documents to their originals, and shall also explain to the applicant the legal and other consequences of changing citizenship (the procedures for residence on the territory of Russia and for going abroad, the relation to military obligation, and other consequences).

All the necessary and correctly prepared materials shall be sent to the appropriate republic ministries of internal affairs or the internal affairs administrations (or main administrations) of krais, oblasts, Moscow, St. Petersburg and Leningrad Oblast, the autonomous oblast and the autonomous okrugs (hereafter referred to as the MVDs and UVDs [internal affairs administrations] or GUVDs [main internal affairs administrations]).

5.4. After receiving the materials, the MVDs and UVDs (or GUVDs) shall thoroughly study all the circumstances with which the Law connects the acquisition or termination of Russian Federation citizenship, and the documents that have been presented in confirmation of those circumstances, and in all cases except for applications for the restoration of Russian Federation citizenship under Article 20, Part 2, of the Law, shall conduct an inspection of the records of information centers (ICs) responsible for applicants' places of residence. In the event that they have previously resided on the territory of other components of the Russian Federation or republics of the former USSR, an inspection shall also be made of the records of the Main Information Center (MIC) of the Russian MVD.

5.5. For applications for the acquisition or termination of Russian Federation citizenship, the MVDs and UVDs (or GUVDs) shall issue decisions in the form of conclusions confirmed by the republic minister of internal affairs, the director of a UVD (or GUVd), or their deputies (Appendices 7, 8 and 10 to the Instructions).

The substantive part of the conclusion shall reflect an applicant's biographical information and all the grounds giving him the right to acquire or terminate Russian

Federation citizenship through registration or preventing a positive decision, with reference to the specific article of the Law.

The ruling part of the conclusion shall reflect the fact of registration of the acquisition or termination of Russian Federation citizenship, or shall state the fact that registration has been refused, and shall define the procedures for carrying out the decision.

5.6. For petitions for the acquisition or termination of Russian Federation citizenship, the MVDs and UVDs (or GUVDs) shall send all materials to territorial agencies of the Russian Federation Federal Counterintelligence Service (hereafter referred to as the Russian FSK) for a conclusion, shall carry out the appropriate inspections of records, and after the materials have been returned, shall issue conclusions on them in two copies.

The substantive part of conclusions on petitions shall reflect the applicant's biographical information, information on his close relatives and their citizenship, the reasons that have prompted the applicant to submit the given petition, and the grounds giving him the right to acquire or terminate Russian Federation citizenship or preventing a positive decision, with reference to the specific article of the Law, as well as the opinion of the territorial agencies of the Russian FSK and the results of records inspections.

The ruling part of conclusions shall express the opinion of the MVD or UVD (or GUVd) on the given question and shall give a decision on sending the materials to the Russian MVD's Passport and Visa Service (hereafter referred to as the Russian MVD's PVS) for further examination according to established procedures.

For the members of a single family petitioning simultaneously for a change in citizenship, a single conclusion shall be issued.

A conclusion shall be signed by the director of the Passport and Visa Service and confirmed by the republic minister of internal affairs or the director of the UVD (or GUVd) or their deputies, after which a file is made up in two parts.

The first part is made up for the Russian Federation president's Commission on Questions of Citizenship and shall contain the first copies of the petition and the documents presented in support of it.

The second part shall contain the second copies of the petition and the documents presented in support of it, the conclusion of the Russian FSK's territorial agency, reports on the inspections of records, a receipt for the payment of the state fee or a financial agency's certification of the waiver of its payment, and the first copy of the conclusions of the MVD or UVD (or GUVd).

Both parts of the aforementioned materials and the second copy of the conclusion of the MVD or UVD (or GUVd) shall be sent for further consideration to the

Russian MVD's PVS. In cases of the acquisition of Russian Federation citizenship by foreign citizens and stateless persons, their personal files shall also be sent.

6. Procedures for the Implementation of Decisions on Questions of Citizenship

6.1. The MVDs and UVDs (or GUVDs), within one week after receiving from the Russian MVD's PVS the second parts of materials and notifications of the decisions that have been made on questions of citizenship, as well as in cases in which they have issued decisions on registration of the acquisition or termination of Russian Federation citizenship or of a change in citizenship in connection with its verification, shall report this to the internal affairs agencies for the places of residence of the persons involved, and shall monitor the implementation of the given decisions.

In cases of the acquisition of Russian Federation citizenship, a certificate is also filled out and sent (Appendix 11 to the Instructions), which shall be signed by the director of the Passport and Visa Service or his deputy and attested with an official seal (the internal affairs agencies use the seal that is used for a passport), and shall be the grounds for citizens' obtaining passports or inserts attesting to their possession of Russian Federation citizenship. The procedures for preparing and issuing them is established by the Instructions confirmed by the Russian MVD's 5 May 1993 Order No. 210.

6.2. Within one week from the date of the receipt of notifications of decisions that have been made on questions of citizenship, the internal affairs agencies shall notify the applicants of them.

If the person in question has changed his place of residence on the territory of Russia, the internal affairs agencies shall send notification of the decision that has been made to the Russian Federation agencies for his new place of residence, and shall inform the appropriate MVD or UVD (or GUVd) of this.

6.2.1. In the case of the acquisition of Russian Federation citizenship by foreign citizens and stateless persons, their existing residence permits shall be confiscated. On the basis of the certifications received, they shall be issued USSR citizen passports according to the established procedures with a text attesting to their possession of Russian Federation citizenship, and changes shall be entered into the records. Such persons' national passports shall not be confiscated.

For persons who have acquired Russian Federation citizenship and have USSR citizen passports, on the basis of the certifications received, an insert shall be issued attesting to their possession of Russian Federation citizenship, and changes shall be entered into the records.

Children who have not attained the age of 16 years and have acquired Russian Federation citizenship at the same time as their parents shall be recorded in the

passports newly issued to their parents and, on the basis of the certifications received, inserts shall be issued for them attesting to their birth and confirming their possession of Russian Federation citizenship. In the event of a child's acquisition of Russian Federation citizenship without any change in his parents' citizenship, he shall be recorded in the passport of the parent who is a Russian Federation citizen.

With respect to persons who have acquired Russian Federation citizenship and are subject to being recorded in military records in accordance with the Russian Federation Law on Military Obligation and Military Service, notifications (Appendix 16 to the Instructions) shall be sent to the military commissariats for their places of residence.

6.2.2. For persons with respect to which decisions have been made concerning the relinquishment of Russian Federation citizenship, a stamp so indicating shall be placed on the inside of their passport cover (Appendix 12 to the Instructions), the information in which shall be filled out in special inks and shall have affixed to it the signature of the director of the Passport and Visa Service or his deputy and an official seal. An analogous entry shall be made in the birth certificates of children who have terminated Russian Federation citizenship. Inserts in USSR citizen passports and children's birth certificates attesting to the possession of Russian Federation citizenship shall be confiscated from such persons and destroyed according to established procedures.

Notifications of decisions to terminate Russian Federation citizenship (Appendix 15 to the Instructions) shall be sent to the internal affairs agencies for the place that a passport has been issued and for those persons' places of residence. Upon the receipt of such notifications, an entry concerning the decision that has been made (the date that the MVD or UVD (or GUVd) has issued its conclusion, with a reference to the specific article of the Law or number and date of the Russian Federation president's edict) shall be made in the column "Official Notes" on a passport application (Form No. 1).

An analogous entry shall be made in Column 14 of the residence registration card (Form No. 16) or Column 12 of the apartment-building (business) record book.

6.2.3. Decisions of authorized agencies concerning the refusal of the acquisition or termination of Russian Federation citizenship shall be conveyed to the applicants and a receipt verifying such notification shall be obtained from them in some nonprescribed form.

6.2.4. Reports on the implementation of decisions on questions of citizenship (the type of document issued, its number and date of issue), along with the stub of the receipt for notification of a refusal to change citizenship, shall be sent to the MVD or UVD (or GUVd) for further action and attachment to materials.

6.3. Foreign citizens and stateless persons who have come to the territory of Russia and have declared a

desire to remain for residence in Russia and who fall under Article 20, Part 2, of the Law shall make application to the internal affairs agencies for their proposed place of residence to remain in permanent residence and to have their Russian Federation citizenship restored.

The MVDs and UVDs (or GUVDs) shall verify their belonging to the given category of persons and decide the question of their remaining for permanent residence on the territory of Russia without consultation with territorial agencies of the Russian FSK, and shall issue a conclusion (Appendix 9 to the Instructions). In case of a positive decision, their entry and exit visas shall be confiscated, and a certificate (Appendix 11 to the Instructions) shall be issued that shall serve as the basis for their obtaining a passport according to established procedures. The question of their registration at a place of residence (residence permit) on the territory of the Russian Federation shall be decided on the normal grounds.

When necessary, reports on applicants' deprivation of citizenship or loss of citizenship without their free expression of will may be requested at the Russian MVD or Russian FSK.

In the event that members of the aforementioned category of persons submit a written application concerning a lack of desire to apply for restoration of Russian Federation citizenship, the internal affairs agencies shall, according to the procedures established for foreign citizens and stateless persons and after consultation with territorial agencies of Russian FSK, consider the question of their remaining for permanent residence on the territory of the Russian Federation. In case of a positive decision, their entry and exit visas shall be confiscated and they shall be issued appropriate residence permits. Such persons' national passports shall not be confiscated.

6.4. After receiving reports on the implementation of decisions on changes in citizenship through registration, the MVDs and UVDs (or GUVDs) shall, on a quarterly basis, compile lists in two copies ((Appendix 14 to the Instructions) for each separate category of persons.

The first copy of lists shall be sent to the Russian MVD's PVS by the fourth day of the month following the report period, and the second copy shall be sent by the date indicated to the Russian MVD's Center for Passport and Visa Information and Statistics (CPVIS).

6.5. In all cases of the acquisition or termination of Russian Federation citizenship on the basis of applications and petitions, as well as of a change in citizenship as the result of its verification in the MVD or UVD (or GUV), a record card shall be filled out (Form No. 16) in two copies, along with a photograph card.

On the reverse side of the record card, in the column "Grounds for Removal from Records," an entry shall be made or a stamp (Appendix 16 to the Instructions)

placed concerning the decision that has been made (the date on which the MVD or UVD (or GUV) issued its conclusion, with reference to the article of the Law or number and date of the Russian Federation president's edict), and in the column "Other Notes," an entry shall be made concerning the implementation of that decision (date of issue, number, series and type of document issued, date of issue of a certificate for obtaining an insert, date of the announcement of refusal of registration, and so forth). Notifications of change in citizenship of minor children shall be reflected in the record card of one of their parents.

The record cards for persons with respect to whom the internal affairs agencies have registered a change in citizenship shall be sent to the Russian MVD's CPVIS at the same time as the lists.

With respect to persons who have petitioned for a change in citizenship to the Russian Federation president, record cards shall be sent to the Russian MVD's CPVIS at the same time that all materials are sent to the Russian MVD's PVS. Reports on the implementation of the Russian Federation president's edicts shall be sent in the form of notifications (Appendix 13 to the Instructions) to the Russian MVD's CPVIS and by teletype (61120 AVAKS) or fax (9454687 or 2092607) to the Russian MVD's PVS within three days after their implementation.

Second copies of record cards shall remain in the MVDs and UVDs (or GUVDs).

6.6. The overall time required to implement decisions on questions of citizenship must not exceed one month.

In the event that this period is exceeded with respect to the implementation of the Russian Federation president's edicts through no fault of the internal affairs agencies (the illness of an applicant, his absence from his place of residence in connection with a vacation, business trip, trip abroad, and so forth), reports on that shall be sent to the Russian MVD's PVS.

For the implementation of decisions on questions of citizenship with respect to persons who have left for permanent residence outside the Russia's borders during the period in which their applications or petitions for change in citizenship were being considered, the MVDs and UVDs (or GUVDs) shall send the appropriate information, with an indication of the country for which they have left, to the Russian MVD's Consular Service Department (hereafter referred to as the Russian MVD's CSD) and the Russian MVD's PVS.

6.7. Columns 108 and 109, Section 19, of statistical report Form No. 625, approved by the Russian MVD's 25 May 1992 Order No. 179, shall indicate only information on the acquisition of Russian Federation citizenship through registration in accordance with Article 18 of the Law.

In this connection, the names and numbers of the republics belonging to the former USSR from which persons who have acquired Russian Federation citizenship through registration shall be listed by line.

7. Determination of Possession of Russian Federation Citizenship

7.1. The MVDs and UVDs (or GUVDs) shall determine possession of Russian Federation citizenship upon the consideration of applications and petitions for change in citizenship, and in cases of citizens' personal appeals or at the initiative of state agencies.

In determining possession of Russian Federation citizenship, reference shall be made to legislative acts of the Russian Federation and republics belonging to the Russian Federation, and of international treaties of the Russian Federation, the former USSR, or the Russian state that existed prior to 7 November (25 October) 1917, and that were in force as of the time that the circumstances occurred with which a person's possession of Russian Federation citizenship is connected (Article 12, Part 2, of the Law).

In determining a person's possession of Russian Federation citizenship in the past, the provisions of Article 13, Part 2, of the Law and Section II, point 10, of the Statute shall also be followed.

7.2. In the process of determining a person's possession of Russian Federation citizenship, all information reported by the applicant shall be taken into account; when necessary, the testimony of witnesses shall be recorded, and institutions and organizations from which information might be obtained concerning the citizenship of the applicant himself, his parents and his relatives shall be questioned; and inspections shall be made of the records of the Russian MVD's CPVIS, the materials of criminal cases, the records of former places of residence or work, and the archives of civil registry agencies, the Russian MVD and the Russian FSK.

The testimony of witnesses shall be recorded in an official record of questioning that reflects the factual information that is of significance for a decision concerning the citizenship of the person who is being checked on, and that must be attested by the internal affairs agency employee who has drawn up the record, with an indication of his position and rank and of the date on which the record was drawn up.

When it is necessary to obtain information concerning persons who reside or have resided outside Russia's borders, inquiries shall be sent through the Russian MVD's CSD.

In order to obtain information from the Russian Federation president's Commission on Questions of Citizenship, inquiries shall be sent to the Russian MVD's PVS.

7.3. In cases in which the determination of possession of Russian Federation citizenship is not related to the

consideration of citizens' applications and petitions for a change in citizenship but is of an independent nature, a conclusion shall be issued that shall be confirmed by the republic minister of internal affairs, the director of the UVD (or GUVD), or their deputies.

The conclusion must set forth verified information concerning the person whose possession of Russian Federation citizenship is being determined and information on his parents and their citizenship, and must indicate the legal grounds in connection with which the person is or is not recognized as a citizen of the Russian Federation. If the person who is being checked on has minor children, the conclusion must also determine their citizenship.

The results of the determination of possession of Russian Federation citizenship shall be reported to interested persons or the state agencies at whose initiative the check on citizenship was conducted.

Depending on the results of checks on citizenship, USSR citizen passports or the appropriate residence permits shall be issued according to established procedures to the persons with respect to whom they were carried out. If persons whose possession of Russian Federation citizenship has been confirmed have a USSR citizen passport, certificates (Appendix 11 to the Instructions) shall be issued to them that shall serve as the grounds for their obtaining inserts attesting to their possession of Russian Federation citizenship.

7.4. In cases in which the determination of possession of Russian Federation citizenship is connected with the examination of materials pertaining to the acquisition or termination of Russian Federation citizenship, the established facts and circumstances regarding the possession of Russian Federation citizenship of the persons being checked on are reflected in the conclusions of MVDs and UVDs (or GUVDs) regarding applications or petitions for change in citizenship.

7.5. When the MVDs and UVDs (or GUVDs) receive inquiries from the Russian MVD in connection with determining the possession of Russian Federation citizenship by persons who are residing outside Russia's borders, an inspection should be made of all records of the fact of the specific person's residence on a given territory and his citizenship during the period of residence. When necessary, the properly recorded testimony of witnesses and other documents pertaining to a case shall be sent along with replies. Conclusions regarding such persons' possession of Russian Federation citizenship shall not be issued.

8. The Application of International Treaties Concerning Questions of Citizenship

8.1. An application or petition for the acquisition of Russian Federation citizenship from a person who is a citizen of a state with which the Russian Federation citizenship has a treaty on the avoidance of dual citizenship (Appendix 17 to the Instructions) may be accepted

for consideration by the internal affairs agencies if the applicant presents a document indicating the attitude of an authorized agency of such a state toward his intention to acquire Russian Federation citizenship.

8.2. In applying an international treaty of the Russian Federation on dual citizenship, the conditions of that treaty shall be observed.

8.3. Applications from parents who have chosen Russian Federation citizenship for their children in accordance with an international treaty shall be submitted to the internal affairs agencies for the place of residence of both parents or of the parent who has care of the child; they shall sent them within one week to the MVD or UVD (or GUVU). Applications shall be submitted in two copies, and copies of the children's birth certificates shall be attached to them.

Within one week's time, the MVDs and UVDs (or GUVUs) shall issue conclusions on them with a reference to the article of the international treaty that is involved, and shall sent reports on the decision that has been made to the internal affairs agencies for the place of residence of the parent who is a Russian Federation citizen and of the child. At the same time, a record card (Form No. 16) shall be filled out in two copies on which, in addition to the child's basic information, his citizenship and place of residence shall also be indicated, and an entry shall be made indicating the article and international treaty on the basis of which his citizenship has been chosen.

One copy of the conclusion, the application and the child's birth certificate shall be attached to the personal file of the parent who is a foreign citizen, and a second copy of the aforementioned documents shall be sent to the Russian MVD's PVS along with the record card on the child. A second copy of the record card shall remain in the MVD or UVD (or GUVU).

After receiving reports on the decision that has been made from the MVD or UVD (or GUVU), the internal affairs agencies shall register the child in the passport of the parent who is a Russian Federation citizen, and shall make a notation or place a stamp on the child's birth certificate indicating his possession of Russian Federation citizenship ((Appendix 12 to the Instructions).

8.4. For citizens who wish to choose for their children the citizenship of a state with which a treaty on the avoidance of dual citizenship exists, it shall be explained that they must appeal on that matter to those states' diplomatic missions or consular institutions in the Russian Federation. In this connection, the parents' attention should be called to the deadlines for the submission of such applications indicated in the appropriate treaty.

After receiving from the Russian MVD materials on the election for a child of the citizenship of a different state, the MVDs and UVDs (or GUVUs) shall fill out a record card (Form No. 16) in two copies. One card shall be sent

to the Russian MVD's CPVIS and the second shall remain in the MVD or UVD (or GUVU). The application shall be attached to the personal file of the parent who is a foreign citizen if he permanent residence on the territory of Russia, or the materials shall be filed in a separate file.

9. Procedures for Official Correspondence

Official correspondence in the internal affairs agencies on questions of citizenship shall be carried out in Russian and the state languages of republics belonging to the Russian Federation, or in the language of the majority of a population speaking another language of which there is a high concentration in some location, on the basis of Articles 15, 17 and 18 of the Russian Federation Law on Languages of the Peoples of the Russian Federation.

Materials on questions of citizenship presented to the Russian MVD's PVS shall be prepared in Russian.

MVD Develops Procedures To Protect Crime Witnesses, Victims

944F1198A Moscow ROSSIYSKAYA GAZETA
in Russian 6 Aug 94 p 3

[Unattributed article: "Do Not Pressure the Witness"]

[Text] How to ensure the personal, property and other rights of victims and witnesses during the preliminary investigation—that is the goal of the methods recommendations worked out at the Russian Federation Ministry of Internal Affairs' All-Russian Research Institute. A group of authors was headed by Prof Sergey Shcherba, doctor of legal sciences. The recommendations have now been distributed as instructions for internal affairs agencies. We are publishing excerpts from this work.

If influence that interferes with the determination of truth in a case is exerted on a victim or witnesses, it is necessary to take the following steps:

in cases in which information has been received concerning the exertion of such influence on a victim or witness, the investigator must conduct a careful verification of such information and, if the causes and grounds stipulated in Art. 108 of the Criminal Procedural Code are present, bring criminal charges. In this connection, the following elements of a crime may exist: the compulsion of a victim or witness to give knowingly false testimony, carried out through threatening such persons or their relatives with killing, violence or the destruction of property, and likewise bribing them to give false testimony (Art. 183 of the Criminal Code); and the incitement of a victim or witness to give false testimony (Arts. 17 and 181 of the Criminal Code), to slander (Art. 130 of the Criminal Code), to insult (Art. 131 of the Criminal Code), and so forth. The degree of dangerousness of acts should be judged taking into account the real infringements of the rights and legitimate interests of the given participants in a trial that have already occurred or that are anticipated. In this connection it makes no

difference by whom a threat is made: the defendant, his immediate family and relatives, or other persons;

persons who have been subjected to the action must be carefully questioned regarding all the circumstances of the crime committed against them;

steps must be taken to forbid the issuing of information concerning a victim or witness by the address bureau, telephone information bureau, or subdivisions of the State Motor Vehicle Inspectorate and other state information repositories;

it must be decided whether it is possible to provide a victim or witness with means of individual protection and of signaling of danger;

a stricter means of intervention must be employed with regard to suspects or defendants who exert pressure on victims and witnesses in order to prevent the establishment of the truth in a case;

depending on the circumstances of a case, the investigative agency should be assigned to carry out operational investigative measures aimed at protecting the given participants in a trial, and also to uncover persons who have committed unlawful actions against them, as is stipulated in the RF Law on Operational Investigative Activities in the Russian Federation.

In accordance with the RF Law on Private Detective and Guard Activities in the Russian Federation, in order to protect their life, health and property, victims and witnesses may employ the services of an enterprise engaged in private detective work.

ECONOMIC & SOCIAL AFFAIRS

Federal Law on Changes, Additions to 'Law on Payment for Land'

944F1261A Moscow ROSSIYSKAYA GAZETA
in Russian 13 Aug 94 p 4

[Russian Federation Federal Law "On Amendments and Changes to the RSFSR Law 'On Payment for Land'"; adopted by the State Duma on 8 July 1994, approved by the Federation Council on 26 July 1994]

[Text] Article 1: The following amendments and additions will be made to the RSFSR Law "On Payment for Land" (VEDOMOSTI SYEZDA NARODNYKH DEPUTATOV RSFSR I VERKHOVNOGO SOVETA RSFSR, 1991, No 44, p 1424; VEDOMOSTI SYEZDA NARODNYKH DEPUTATOV ROSSIYSKOY FEDERATSII I VERKHOVNOGO SOVETA ROSSIYSKOY FEDERATSII, 1992, No 10, p 469; No 34, p 1976):

1. In the title of the Law, the first part of Article 1 and Article 22 the words "Russian Federation" will replace the word "RSFSR."

2. Article 3 will be expanded to include a third part, to read as follows:

"Land tax rates for land in all primary use categories in areas inhabited by the small peoples of the North, as well as land used as reindeer pasturage in other regions of the Russian Federation, shall be established by the legislative (representative) bodies of components of the Russian Federation, and any revenue received from the payment of taxes on such land are not to be centrally collected in the federal budget."

3. In the second part of Article 4 the words "by the legislative (representative) bodies of components of the Russian Federation" will replace the words "by the Supreme Soviets of the RSFSR's constituent republics and by kray, oblast, autonomous oblast and autonomous okrug soviets of people's deputies."

4. In Article 5:

a. the second part will read as follows:

"Average rates of land tax per hectare of arable land by component of the Russian Federation and the degree of central collection of land taxes and lease payments into the federal budget shall be applied pursuant to Appendix 1.;"

b. in the third part the words "by the legislative (representative) bodies of components of the Russian Federation" will replace the words "by the Supreme Soviets of the RSFSR's constituent republics and by kray, oblast, autonomous oblast and autonomous okrug soviets of people's deputies."

c. the fourth part will read as follows:

"Minimum land tax rates per hectare of arable land and other agricultural holdings shall be established by the legislative (representative) bodies of the components of the Russian Federation.;"

d. the sixth part will be deleted.

5. In Article 6:

a. the first and second parts will read as follows:

"The land tax on parcels lying within the boundaries of rural population centers and outside those boundaries which have been allotted to citizens as private farm plots, orchards, vegetable gardens, livestock farms, hayfields or pasturage shall be levied on the entire area of the parcel at average land tax rates for agricultural land in that administrative rayon."

"The land tax on parcels allotted to citizens and legal persons within the boundaries of rural population centers for other purposes (with the exception of those listed in the first part of this article) shall be levied on the entire area of the parcel at a rate of R5,000 [rubles] per square meter.;"

b. in the third part the words "to organs of local self-government" will replace the words "to local soviets of people's deputies.";

c. the fourth part will be deleted.

6. In Article 8:

a. the first part will read as follows:

"Tax on city (or town) lands shall be established on the basis of the average tax rates in Appendix 2 (Table 1) to this Law (with the exception of agricultural land or land occupied by private farm plots and housing, dachas and garden plots, or individual and cooperative garages, for which another tax payment procedure has been established).";

b. in the second part the words "by cities' organs of local self-government" will replace the words "by city soviets of people's deputies";

c. in the fourth part the words "(with the exception of parcels indicated in the sixth part of this article)" will be added after the words "standards for their allocation.";

d. the fifth part will read as follows:

"Tax on land occupied by housing (state-owned, municipal, public, cooperative or individual) or by private farm plots, dacha lots, and individual or cooperative garages within the boundaries of a city (or town) boundary shall be levied on the entire parcel at a rate of 3 percent of the land tax rate established for cities and urban-type towns, but not less than R10,000 per square meter.";

e. the word "workers" will be removed from part six;

f. in part seven the words "land allotted (or acquired) for use as gardens, orchards and livestock farms (including land occupied by buildings and other structures)" will replace the words "land used for agricultural purposes, as private farm plots and by gardening associations," and the word "R10" will replace the words "one kopeck."

g. the article will be expanded to include an eighth part, to read as follows:

"Tax on land for agricultural use within the boundaries of a city (town) shall be set at two times the rate for agricultural land of comparable quality."

7. In the first part of Article 9 the words "for land allotted to support the activities of USSR and RSFSR organs of authority and administration, the USSR Armed Forces, border guards, internal troops, railways troops and space systems" will be removed, while the words "at three times the amount of average tax rates in the administrative rayon for agricultural land" will be replaced with the words "in the amount of 20 percent of average land tax rates as established in accordance with Appendix 2 (Table 1) to this Law for towns with populations under 20,000."

8. In Article 11:

a. in the first part the words "from payment for timber sold on the stump" will replace the words "from the fixed value of timber sold on the stump";

b. in the third part the words "from the standard level of payment for timber" will replace the words "from the fixed value of timber."

9. In Article 12:

a. the first part of Point 3 will read as follows:

"3. scientific organizations, developmental, experimental and teaching farms at scientific research institutions and academic institutions serving agriculture and forestry, as well as scientific institutions and organizations in other fields, for parcels of land directly used for scientific, experimental or instructional purposes and for the testing of varieties of agricultural or timber crops,";

b. the first point of Point 4 will read as follows:

"4. institutions in the arts, cinematography, education and health care funded by the corresponding budgets or by trade union funds (with the exception of resort facilities), children's therapeutic facilities regardless of their source of funding, state-owned agencies for environmental protection and the preservation of historical and cultural monuments, as well as religious associations, on the land of which are located buildings used by them and protected by the state as monuments of history, culture or architecture,";

c. the first part of Point 5 will be expanded to include the words "or for the purposes of digging peat to be used to increase soil fertility,";

d. the first part of Point 6 will be expanded to include the words ", and also citizens to whom social guarantees and benefits for participants in the Great Patriotic War are extended by law,";

e. the first part of Point 7 will read as follows:

"7. disabled persons in groups I and II,";

f. in Point 8 the word "USSR" will be replaced with the words "Russian Federation";

g. the words "and municipal services" will be removed from the first part of Point 9;

h. in the first part of Point 11 the words "of the Russian Academy of Architecture and Building Sciences;" will be added following the words "of the Russian Academy of Education";

i. the first part of Point 12 will read as follows:

"12. state-owned communications enterprises and joint-stock communications companies, the controlling block

of shares in which belong to the state and which disseminate (or translate) state television and radio programming, as well as those which perform activities connected with the defense of the Russian Federation, state-owned enterprises involved with waterways and hydraulic installations under the Russian Federation Ministry of Transportation, enterprises and organizations engaged in sea and river transportation, including for land covered by water, and artificially created areas connected with the construction of hydraulic engineering installations, for lands occupied by federal public highways, by airfields, by airports and by civil aviation repair facilities and by air navigation installations and facilities which are classified as federal property;"

k. the first part of Point 13 will read as follows:

"13. enterprises, scientific organizations and scientific research institutions, for parcels of land directly used for the storage of materials and supplies included in the Russian Federation mobilization reserve;"

l. in the first part of Point 15 the words ", as well as of trade unions" will be added after the word "municipal";

m. the article will be expanded to include points 16-20, to read as follows:

"16. internal, railway and border troops and civil defense troops, for land allotted for their stationing and permanent operations;

17. citizens exposed to the effects of radiation as a result of the disaster at the Chernobyl Nuclear Power Plant and other radiation accidents at civilian and military nuclear facilities, and also as a result of testing, training and other activities connected with any type of nuclear facility, including nuclear weapons and space technology;

18. military personnel and citizens released from military service upon attaining the maximum age for remaining in military service, for health reasons or in connection with personnel-related organizational measures and having total military service of 20 years or more, and family members of military personnel and internal affairs officers who have lost their principal provider in connection with the performance of that person's official duties;

19. heroes of the Soviet Union, heroes of the Russian Federation, heroes of socialist labor and full knights of the Order of Glory, the Order of Labor Glory and the Order "For Service to the Motherland in the USSR Armed Forces";

20. institutions and agencies in the corrections systems."

n. the article will be expanded to include third and fourth parts, to read as follows:

"The tax on land located in railroad right-of-ways shall be collected from railway transportation enterprises,

institutions and organizations in the amount of 25 percent of the land tax rate set for agricultural land pursuant to Appendix 1.

When legal persons or citizens currently exempt from payment of land tax transfer parcels of land for lease (or use) land tax will be levied on those areas which are transferred for lease (or use)."

10. Article 13 will read as follows:

"The organs of legislative (representative) authority of the components of the Russian Federation have a right to establish additional land tax exemptions up to the amount of land tax accruing to the component of the Russian Federation in question."

11. Article 14 will read as follows:

"Organs of local self-government have a right to establish land tax exemptions in the form of partial exemption for a specific period of time, deferment of payment or reduction of the land tax rate for certain payers, up to the amount of tax remaining at the disposal of the organ of local self-government in question."

12. In Article 17:

a. in the fourth part the words "0.7 percent" will be replaced the words "0.2 percent";

b. in the fifth part the words "soviets of people's deputies" will be replaced by the words "organs of legislative (representative) authority of the components of the Russian Federation and organs of local self-government";

c. in the sixth and seventh parts the word "three" will replace the word "two".

13. In Article 18 the words "special" and "local" will be deleted and the words "soviets of people's deputies" replaced by the words "organs of local self-government".

14. In Article 19:

a. in the first part the word "special" will be removed and the words "constituent republics of the RSFSR, krais, oblasts, the autonomous oblast and autonomous okrugs" and the words "soviets of people's deputies" replaced, respectively, by the words "components of the Russian Federation" and "organs of local self-government";

b. the second part will read as follows:

"The percentage of funds from the land tax and lease of agricultural land centrally collected in the federal budget is to be established in accordance with Article 5 of this Law. Any change in the percentage indicated must be made based on a recommendation by the Government of the Russian Federation in view of the need for funding for the centrally implemented measures enumerated in Article 24 of this Law, simultaneously with approval of the federal budget for the coming year."

c. in the third part:

the first sentence will read as follows:

"The percentage of funds from land tax and lease of agricultural land paid by rayons into a special budget account for components of the Russian Federation is to be established by the organs of legislative (representative) authority of the components of the Russian Federation with consideration for payments into the federal budget.";

in the second sentence the words "constituent republic of the RSFSR, kray, oblast, autonomous oblast or autonomous okrug" will be replaced with the words "component of the Russian Federation";

d. the fourth part will read as follows:

"The percentage of funds transferred to a special budget account of the Russian Federation out of total funds received from land tax and land lease payments by cities and towns to fund the centrally implemented measures enumerated in Article 24 of this Law is to be established annually in conjunction with approval of the federal budget."

15. In Article 21 the second sentence will be replaced with a text that will read as follows:

"When land under state or municipal ownership is leased the appropriate organs of executive authority shall establish base lease rates by type of land use and category of tenant. A lease payment may be established either in money or in kind."

16. Article 23 will read as follows:

"Article 23: Violation of this Law will result in penalties as determined by the laws of the Russian Federation."

17. In the first part of Article 24 the words "fixed payments to land users engaged in agricultural production on low-quality land" will be deleted.

18. The third part of Article 25 will read as follows:

"Procedure for determining the normative price of land is to be established by the Government of the Russian Federation."

19. Article 26 will be deleted.

20. Appendix I will read as follows:

Appendix 1: Average Land Taxes and Percentage of Central Collection of Land Taxes and Lease Payments Into the Federal Budget

| Component of the Russian Federation | Land Tax Per Hectare of Arable Land (Rubles) | Portion of Funds Centralized in the Federal Budget (as a Percentage of Total Land Tax and Lease Payments for Agricultural Land) |
|---------------------------------------|--|---|
| Adygey Republic (Adygeya) | 3,690 | 40 |
| Altay Republic | 740 | — |
| Republic of Bashkortostan | 1,725 | 30 |
| Republic of Buryatia | 1,055 | — |
| Republic of Dagestan | 2,040 | — |
| Ingush Republic | 2,355 | 30 |
| Kabardino-Balkar Republic | 3,880 | 30 |
| Republic of Kalmykia - Kalmg Tangch | 1,175 | — |
| Karachayevo-Cherkess Republic | 1,990 | 40 |
| Republic of Karelia | 1,600 | — |
| Komi Republic | 1,215 | — |
| Mariy El Republic | 1,800 | — |
| Republic of Mordovia | 1,465 | — |
| Sakha Republic (Yakutia) | 775 | — |
| Republic of North Ossetia | 4,120 | 30 |
| Republic of Tatarstan (Tatarstan) | 1,790 | 30 |
| Republic of Tyva | 745 | — |
| Udmurt Republic | 1,295 | — |
| Republic of Khakasia | 940 | — |
| Chechen Republic | 2,355 | 30 |
| Chuvash Republic - Chavash respubliki | 2,240 | 20 |
| Altay Kray | 1,145 | 20 |

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Appendix 1: Average Land Taxes and Percentage of Central Collection of Land Taxes and Lease Payments Into the Federal Budget (Continued)

| Component of the Russian Federation | Land Tax Per Hectare of Arable Land (Rubles) | Portion of Funds Centralized in the Federal Budget (as a Percentage of Total Land Tax and Lease Payments for Agricultural Land) |
|-------------------------------------|--|---|
| Krasnodar Kray | 4,950 | 50 |
| Krasnoyarsk Kray | 1,580 | — |
| Maritime Kray | 1,435 | — |
| Stavropol Kray | 2,875 | 40 |
| Khabarovsk Kray | 1,125 | — |
| Amur Oblast | 890 | — |
| Arkhangelsk Oblast | 1,090 | — |
| Astrakhan Oblast | 1,145 | — |
| Belgorod Oblast | 2,615 | 30 |
| Bryansk Oblast | 1,445 | — |
| Vladimir Oblast | 1,595 | — |
| Volgograd Oblast | 1,205 | 30 |
| Vologda Oblast | 1,350 | — |
| Voronezh Oblast | 1,965 | 30 |
| Ivanovo Oblast | 1,415 | — |
| Irkutsk Oblast | 1,515 | — |
| Kaliningrad Oblast | 2,315 | — |
| Kaluga Oblast | 1,315 | — |
| Kamchatka Oblast | 720 | — |
| Kemerovo Oblast | 1,495 | — |
| Kirov Oblast | 1,295 | — |
| Kostroma Oblast | 1,125 | — |
| Kurgan Oblast | 1,265 | 20 |
| Kursk Oblast | 2,320 | 30 |
| Leningrad Oblast | 2,310 | 20 |
| Lipetsk Oblast | 1,935 | 30 |
| Magadan Oblast | 665 | — |
| Moscow Oblast | 2,550 | 20 |
| Murmansk Oblast | 550 | — |
| Nizhegorod Oblast | 1,630 | — |
| Novgorod Oblast | 925 | — |
| Novosibirsk Oblast | 1,255 | 20 |
| Omsk Oblast | 1,300 | 20 |
| Orenburg Oblast | 1,030 | 20 |
| Orel Oblast | 1,850 | 20 |
| Penza Oblast | 1,275 | 30 |
| Perm Oblast | 1,170 | — |
| Pskov Oblast | 955 | — |
| Rostov Oblast | 2,350 | 40 |
| Ryazan Oblast | 1,525 | 20 |
| Samara Oblast | 1,435 | 30 |

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Appendix 1: Average Land Taxes and Percentage of Central Collection of Land Taxes and Lease Payments Into the Federal Budget (Continued)

| Component of the Russian Federation | Land Tax Per Hectare of Arable Land (Rubles) | Portion of Funds Centralized in the Federal Budget (as a Percentage of Total Land Tax and Lease Payments for Agricultural Land) |
|---|--|---|
| Saratov Oblast | 1,050 | 30 |
| Sakhalin Oblast | 1,360 | — |
| Sverdlovsk Oblast | 1,560 | — |
| Smolensk Oblast | 1,255 | — |
| Tambov Oblast | 1,820 | 30 |
| Tver Oblast | 1,295 | — |
| Tomsk Oblast | 1,425 | — |
| Tula Oblast | 2,045 | 20 |
| Tyumen Oblast | 1,595 | — |
| Ulyanovsk Oblast | 1,715 | 30 |
| Chelyabinsk Oblast | 1,205 | 20 |
| Chita Oblast | 910 | — |
| Yaroslavl Oblast | 1,215 | — |
| Jewish Autonomous Oblast | 890 | — |
| Agu Buryat Autonomous Okrug | 910 | — |
| Komi-Permyak Autonomous Okrug | 1,170 | — |
| Koryak Autonomous Okrug | — | — |
| Nenets Autonomous Okrug | — | — |
| Taymyr (Dolgan-Nenets) Autonomous Okrug | — | — |
| Ust-Orda Buryat Autonomous Okrug | 1,515 | — |
| Khanty-Mansi Autonomous Okrug | — | — |
| Chukot Autonomous Okrug, | — | — |
| Evenk Autonomous Okrug | — | — |
| Yamalo-Nenets Autonomous Okrug | — | — |

21. In Appendix 2:

a. average land tax rates in cities and other population centers entered in Table 1 will be applied in 1994 at a coefficient of 50;

b. Table 3 will be deleted;

c. Table 4 will be renamed Table 3.

Article 2:

1. This Federal Law will take effect on the date of its official publication.

2. All legal acts adopted by the President of the Russian Federation and the Government of the Russian Federation and all acts adopted by Russian Federation ministries and agencies must be brought into agreement with this Federal Law.

3. The Government of the Russian Federation is required to index the land tax rates established by this Federal Law annually beginning in 1995:

for arable land (Appendix 1 to the RSFSR Law "On Payment for Land"), based on the correlation between wholesale prices for agricultural produce and the prices (rates) for products and services consumed by agricultural producers;

for parcels of land in cities and other population centers (Appendix 2 and Table 1 attached to the RSFSR Law "On Payment for Land") and for parcels of land used by citizens for housing, dacha and garage construction, private farm plots, gardens, orchards and livestock raising, based on changes in the minimum wage rate.

[Signed] B. Yeltsin, President of the Russian Federation
Moscow, The Kremlin
9 August 1994, No. 22-FZ

Federal Law on Implementation of Pension Fund Budget

944F1261B Moscow ROSSIYSKAYA GAZETA
in Russian 13 Aug 94 p 4

[Russian Federation Federal Law: "On Implementation of the 1993 Russian Federation Pension Fund

Budget"; adopted by the State Duma on 21 July 1994, approved by the Federation Council on 28 July 1994]

[Text] Article 1: A report on implementation of the 1993 Russian Federation Pension Fund Budget containing the following main points is hereby approved:

| | (In billions of rubles) |
|---|-------------------------|
| Residual Funds in the Russian Federation Pension Fund (Entire System) as of 1 January 1993 | 393.48* |
| Including: | |
| m Funds in route | 30.46 |
| Revenues | |
| Employer and Employee Insurance Contributions | 10,211.68 |
| Including: | |
| Offset Expenditures by Enterprises To Pay Pensions and Benefits | 233.2 |
| Russian Federation Republic Budget Funds Allocated Via the Russian Federation Pension Fund for Directed Funding of State Pension and Benefit Payments | 358.95 |
| Including: | |
| Securities—Russian Federation Ministry of Finance Gold Certificates | 15.31 |
| Other Receipts | 93.73 |
| Including: | |
| —Fines and Financial Penalties | 41.48 |
| —Capitalization of Temporarily Available Funds | 19.95 |
| —Funds Reimbursed by the Russian Federation State Public Employment Fund Based on Expenditures for the Payment of Early Pensions to Unemployed Citizens | 9.55 |
| —Other Revenue | 22.75 |
| Total Revenue | 10,664.36 |
| Total Revenue, Including Residual Funds as of 1 January 1993 | 11,057.84 |

*Excluded from the total residual funds in the Russian Federation Pension Fund as of 1 January 1993 were

residual funds in the accounts of social protection agencies totalling R36.3 billion [rubles], which were counted as operating funds.

| | (In billions of rubles) |
|--|-------------------------|
| Expenditures | |
| Payment of State Pensions and Benefits Made With Insurance Contributions | 9,093.97 |
| Including: | |
| Offset Expenditures for Payment of Pensions and Benefits Made by Enterprises and Organizations Using Russian Federation Pension Fund Money | 15.84 |
| Early Pensions to Unemployed Citizens Reimbursed by the Russian Federation State Fund for Public Employment | 16.45 |
| Directed Payments of State Pensions and Benefits Made by the Russian Federation Pension Fund Using Russian Federation Republic Budget Funds | 825.52 |
| Including: | |
| Offset Expenditures for the Payment of Benefits and Compensation Made by Enterprises and Organizations Using Russian Federation Pension Fund Money | 217.36 |
| Expenditures To Provide Pensions and Benefits | 391.17 |
| Maintenance of Russian Federation Pension Fund Agencies | 28.50 |
| Including: | |
| Pension Departments in Regions With a Single Pension Service | 4.48 |
| Capital Investment for Production-Related Construction | |
| Setup of State Data Bank on Insurance Contribution Payers | 8.77 |
| Other Expenditures | 31.33 |

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| | |
|--|------------------|
| Including: | |
| —Profit Tax | 4.09 |
| —Mail and Telegraph Expenses | 1.02 |
| —Funding for Regional Social Protection Programs | 8.23 |
| —Payment for Tax Inspectorate Services | 0.2 |
| —Other Expenses | 17.79 |
| Total Expenditures | 10,389.99 |
| Residual Funds in the Russian Federation Pension Fund (Entire System) as of 1 January 1994 | 671.85 |
| Including: | |
| Funds in Route | 97.42 |
| Securities—Russian Federation Ministry of Finance Gold Certificates | 15.31 |

Article 2: The Government of the Russian Federation shall instruct the Russian Federation Ministry of Finance to draft a debit in the amount of R518.35 billion to compensate for directed payments of state pensions and benefits made by the Russian Federation Pension Fund, doing so using federal budget funds by means of issuing state securities to be repaid in 1994.

Article 3: This Federal Law shall take effect on the date of its official publication.

[Signed] B. Yeltsin, President of the Russian Federation
Moscow, The Kremlin
9 August 1994, No. 21-FZ

Delovoy Mir Economic Statistics, 9 August

944E1155A Moscow DELOVOY MIR in Russian
17 Aug 94 p 4

[Statistical report prepared from data of Goskomstat [State Committee on Statistics] of the Russian Federation: "Socio-Economic Situation on 9 August"]

[Text] **PRICES ON CONSUMER GOODS AND SERVICES.** In the period from 3 to 9 August, the price index on consumer goods and services comprised 100.7 percent, including for food products—100 percent, non-food items—101.3 percent, and paid services—101.7 percent.

The greatest weekly increase in consumer prices was recorded in the cities of Uralskiy Rayon (4.4 percent), while prices in the Northwestern, Central and Volgo-Vyatskiy Rayons remained practically unchanged.

The price indices on goods and services on the consumer market comprised:

| | In % of preceding date | | | Average daily increase in prices | |
|-----------------------------|------------------------|-------|-------|----------------------------------|------|
| | 26.07 | 02.08 | 09.08 | August | July |
| Consumer goods and services | 100.7 | 101.2 | 100.7 | 0.15 | 0.17 |
| Including: | | | | | |
| food products | 100.4 | 100.0 | 100.0 | 0.00 | 0.11 |
| non-food items | 100.8 | 101.1 | 101.3 | 0.20 | 0.13 |
| paid consumer services | 101.3 | 105.7 | 101.7 | 0.69 | 0.45 |

Since the beginning of the year, prices on goods and services have increased by 1.9 times, including on food products—by 1.7 times, on non-food items—by 1.8 times, and on services—by 4.8 times.

FOOD PRODUCTS. In the period from 3 through 9 August, prices in organized trade increased by 0.4 percent, while in non-organized trade they declined by 3.1 percent.

The change in prices for the week by basic commodity groups is presented below:

| | In percent | | |
|------------------------|------------|--------------------|------------------------|
| | Total | Including: | |
| | | in organized trade | in non-organized trade |
| All food products | 100.0 | 100.4 | 96.9 |
| Including: | | | |
| meat and meat products | 101.2 | 101.2 | 100.9 |
| fish and fish products | 100.3 | 99.9 | 106.1 |

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| | | | |
|---|-------|-------|-------|
| edible fats | 100.3 | 100.3 | 100.7 |
| milk and dairy products | 100.7 | 100.7 | 100.7 |
| eggs | 100.9 | 100.7 | 103.3 |
| bread and bakery goods | 102.1 | 102.1 | 100.1 |
| cereal and macaroni goods | 101.8 | 101.8 | 100.9 |
| vodka | 100.4 | 100.4 | 102.9 |
| fruit and vegetable products, including potatoes | 94.8 | 95.2 | 94.1 |

In organized trade the increase in prices on fish, milk, cottage cheese, hard cheese, eggs, and vodka was minimal and did not exceed one percent. Flour and certain types of bread and bakery goods increased in cost by 1.4-3.2 percent during the week, and sugar—by 3.9 percent. Prices on sugar increased by 20-30 percent in Tula, Krasnodar, Irkutsk, and Kirov; on bread and bakery goods—in the cities of Moscow Oblast, Maykop, Norilsk and Murmansk.

The seasonal decline of prices on potatoes, cabbage, onions, garlic and apples is continuing (3-8 percent).

Since the start of the year, prices on bread and bakery goods, milk and dairy products have increased by 2.2-2.6 times, and on meat and meat products—by 1.7 times.

In non-organized trade, prices continue to decline on fruit and vegetable products: Potatoes, cabbage, onions, garlic, carrots, beets and apples dropped in price during the week by 2-9 percent. The relatively low rates of increase in prices on individual types of meat and meat products, milk and dairy products are being retained.

The cost of an assortment comprised of 19 staple food products increased by 0.3 percent during the week, and as of 9 August comprised 63,600 rubles (R), computed for the month. The differentiation in cost of this assortment between surveyed cities of Russia comprised 5.1 times. The minimal cost of the assortment was recorded in Orel (R36,900), and the maximal—as before in Magadan (R189,300). In Moscow and St. Petersburg this assortment cost R72,100 and R67,900 computed for the month (34th and 37th place among the surveyed cities).

NON-FOOD ITEMS. For the period from 3 through 9 August, insignificant rates of growth in prices on non-food items were retained. Among these, the most significant price increases were noted for fuel and tobacco products (on the average throughout Russia by 1.8-1.9 percent).

The rates of growth in prices on sewn and tricote goods, shoes, fabrics and goods of cultural-household application did not change as compared with the preceding weeks (0.8-1.4 percent).

PAID CONSUMER SERVICES. During the past week, a slowing was noted in the rate of growth of prices and rates on paid consumer services. There was practically no change on the whole throughout Russia in the rates

for passage on long-distance trains and city buses, and in the cost of a stay at health treatment institutions. The gas rates remained at the same level as for the preceding week.

At the same time, the payments for living in buildings of the municipal housing fund continue to increase (by 8.0 percent), as well as the cost of hot water supply and use of a home telephone (3.7-3.8 percent). The increase in prices on health care services comprised 2.2-4.5 percent for the week. Rates on individual types of consumer services increased by 1.6-2.8 percent.

The increase in the cost of apartment rent since the start of the year comprised 12 times, and of rates for hot water supply—by 11 times. The cost of household services increased by 2-4 times.

The increase in prices on basic types of material-technical resources consumed in the sectors of industry in July as compared with June of this year comprised: For enterprises of the gas industry—28 percent; electrical power supply—22 percent; light and food industry—11 percent; metallurgy, chemistry and petrochemistry—5.8 percent, and machine building—3 percent. One of the main reasons for the growth of prices on resources for the gas industry was the continued increase in the cost of utilized electrical power, which in turn is becoming more expensive due to the growth of prices on purchased coal for power production and the rates for its transport. The relative share of transport expenditures in the cost of the purchased coal in July comprised 60 percent.

The increase in prices on purchase of basic types of raw goods and materials from suppliers of Russia (85 percent of the purchase volume) comprised 104 percent for July; from suppliers in the near abroad—116 percent, and for goods purchased through import—113 percent.

The level of prices for buying individual types of resources differed depending on the suppliers. Coal for power production was approximately 1.7 times more expensive when acquired from suppliers from the CIS member states than when purchased on the domestic market; sulfuric acid—by 1.3 times, and caustic soda—by 1.2 times. The price of buying oil from Russian suppliers comprised R88,000 per tonne, and from suppliers from the near abroad—R108,000. Enterprises purchased synthetic filaments, chrome and leather goods and aluminum oxide through import at a higher price

than on the domestic market. Certain types of rolled stock and converted cast iron were purchased at lower prices beyond the boundaries of Russia.

The significant differences in levels of prices on the same types of resources in different territories were retained in July. Thus, enterprises of the oil processing industry in the Republic of Bashkortostan and Nizhegorodsk Oblast purchased oil at a price of R77,000-R79,000 per tonne, while in Irkutsk Oblast it was purchased at R108,000. The range of prices on commercial concrete purchased by building organizations fluctuated from 40,000 in Adygey to R176,000 in Yakutia, with an average price of R76,000 per cubic meter throughout Russia. For building brick, prices ranged from R86,000 in Chuvashia to R1,392,000 in Yakutia, with an all-Russian average of R212,000 per thousand units of standard brick. In the Central Economic Region, the highest level of prices for purchasing basic building materials has traditionally been formulated in Moscow and Moscow Oblast.

The relative share of transport expenditures in the purchase price in July on the average for all resources acquired by industrial enterprises comprised 17 percent, and by building organizations—12 percent (in June it was 17 and 13 percent).

INDUSTRY. In January-July of this year, industrial enterprises held in all forms of ownership, as well as industrial subdivisions of non-industrial organizations, produced products (work, services), in effective prices, in the sum of R158 trillion, including by large and medium-sized enterprises—R143 trillion.

In July of this year the production volume in physical computation, discounting the influence of the seasonal factor, exceeded by 1 percent the level for June. Of 406

vital types of products taken into accounting in urgent reporting, for 122 types of goods there was an increase in the average daily output in July of this year as compared with June. Among these were: automobile gasoline, fuel for jet engines, finished rolled stock, steel pipes, centrifugal pumps, refrigeration installations, industrial sewing machines, excavators, trolleys, caustic soda, synthetic dyes, plywood, cardboard, cement, matches, electric vacuum cleaners, cameras, weaving machines, bicycles, refined sugar, and canned tomato products.

However, the depth of reduction of production caused by the significant cutback in output of products in January of this year remains considerable. The overall volume of industrial production in July and January-July of this year is 24 percent less than for the corresponding periods of last year, including at large and medium-sized enterprises—by 26 percent.

In January-July of this year as compared with the analogous period last year, the average daily production:

—increased on 16 positions (4 percent of the overall number), among which were: Iron ore ingots, control-cash register equipment, assemblies and machines for preparing dough, feed crushers, nepheline concentrate, ceramic flooring slabs, freezers, bedding, sausage goods, mayonnaise, and mineral water;

—declined on 385 positions, or 95 percent of the total number.

In the elapsed period of the year, computer control complexes, industrial switching steam engines with capacity of 220 hp, cutting machines, flax harvesting combines and scrapers were not produced.

The grouping of types of products by amounts of decline (increase) in average daily output is presented below:

| | As compared with the corresponding period last year | | July 1994 as compared with June 1994 |
|---|---|------|--------------------------------------|
| | January-July | July | |
| Decrease in production - total | 385 | 346 | 264 |
| including: | | | |
| up to 10 percent | 21 | 17 | 78 |
| from 10 to 20 percent | 47 | 43 | 85 |
| from 20 to 30 percent | 53 | 35 | 31 |
| from 30 to 40 percent | 53 | 35 | 31 |
| over 40 percent | 264 | 251 | 70 |
| Increase in production, 100 percent or more | 16 | 40 | 122 |
| Not produced | 5 | 20 | 20 |

HARVESTING OF GRAIN CROPS. By 8 August of this year, grain harvesting was being performed by farms in 49 territories of Russia. Of these, 18 regions began harvesting work last week. In the North Caucasus and in the Republic of Kalmykia, almost 90 percent of the area of grain crops has been mowed down, while in Belgorod,

Voronezh and Volgograd Oblasts—about half. Of the overall grain yield (18.2 million tonnes), these territories account for 90 percent.

The course of gathering the harvest in Russia on 8 August is characterized by the following data:

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| | million hectares | | | | |
|--|------------------|------|------|------|------|
| | 1990 | 1991 | 1992 | 1993 | 1994 |
| Grain crops mowed down (except corn) | 13.7 | 27.4 | 21.4 | 13.6 | 9.4 |
| in % of sown area | 23 | 46 | 37 | 25 | 19 |
| Milled | 11.0 | 25.5 | 19.1 | 10.7 | 7.8 |
| in % of area sown | 18 | 43 | 33 | 20 | 16 |
| Grain yield (in initial estimate weight) | | | | | |
| Total, million tonnes | 36.1 | 51.3 | 45.4 | 29.3 | 18.2 |
| quintals from 1 hectare | 32.8 | 20.1 | 23.8 | 27.5 | 23.4 |

The average grain yields per hectare in most regions are less than last year's yields. In Krasnodar Kray, 35.4 quintals per hectare have been gathered, as compared with 42.1 quintals last year; in Stavropol Kray these figures are 24.9 and 32.9 quintals, respectively, and in Rostov Oblast they are 22.9 and 28.7 quintals per hectare.

FODDER PROCUREMENT. At the end of July-beginning of August, the rate of conducting fodder procurement operations was increasing at agricultural enterprises in the Russian Federation. In the last two weeks, 12 percent more coarse and grassy fodder was

procured as compared with the two preceding reporting weeks; of hay and hay fodder—by 5-6 percent, and of silage—by almost 2 times.

Altogether by 8 August of this year, natural and sown grasses were mowed over an area of 18.7 million hectares (including sown grasses—over 15.6 million hectares), which comprises almost 90 percent of the level for 1993 (two weeks ago it was 82 percent). The yield of coarse and grassy fodder per hectare of mowed area is slightly less than last year's level (9.4 quintals per unit). In total, coarse and grassy fodders have been procured in the amount of 5.9 quintals per unit, computed per standard head, as compared with 6.3 quintals per unit at the start of August of 1993.

| | 1993 | 1994 | 1994 compared to 1993 | | Increase in two weeks | |
|--|------|------|-----------------------|------|-----------------------|----------|
| | | | + | in % | reported | previous |
| Sown and natural grasses mowed—total, million hectares | 21.0 | 18.7 | -2.3 | 89 | 5.7 | 6.4 |
| Procured, million tonnes | | | | | | |
| hay | 18.6 | 15.9 | -2.7 | 85 | 6.2 | 5.9 |
| hay fodder | 32.8 | 27.3 | -5.5 | 83 | 10.6 | 10.0 |
| silage | 12.4 | 9.7 | -2.7 | 78 | 5.9 | 3.0 |
| Grass flour produced, thousand tonnes | 541 | 336 | -205 | 62 | 84 | 106 |
| Total fodder procured, million tonnes per unit | 21.8 | 18.1 | -3.7 | 83 | 7.4 | 6.6 |
| per one specific cow, quintals per unit | 6.3 | 5.9 | -0.4 | 94 | 2.4 | 2.2 |

Last year's level of procurement of coarse and grassy fodder was exceeded in one out of three regions in Russia. The greatest amount, computed per one specific cow (10-13 quintals per unit) was procured at farms in Kaluga, Moscow, Orlov, Smolensk, Tversk, and Lipetsk Oblasts, and the Republic of Tatarstan.

Procurement of fodders is proceeding at a slow pace in the agricultural enterprises of Kirov, Astrakhan and

Saratov Oblasts, the Mari Republic, and most of the regions of the Urals and Western Siberia.

ON WORK OF INDIVIDUAL SECTORS OF THE ECONOMY IN THE REGIMEN OF PARTIAL WORK LOAD. In January-June 1994, at enterprises and organizations of industry, construction, transport and communications, consumer services, science and scientific services, 14 percent of all persons employed in these sectors worked on a part-time basis:

| | Industry | Transport and communications | Construction | Science and scientific services |
|--|----------|------------------------------|--------------|---------------------------------|
| Transferred at initiative of administration to partial work day (week), thousand persons | 3129.1 | 762.9 | 319.6 | 129.9 |
| in % of average staff roster numbers | 18.1 | 15.4 | 6.6 | 8.2 |
| Took leaves at initiative of the administration without reduction or with partial reduction of wages, thousand persons | 5333.5 | 367.1 | 519.7 | 140.8 |
| in % of average staff roster numbers | 309 | 7.4 | 18.9 | 8.9 |
| Duration of administrative leave, total, thousand man-days | 138776.9 | 6760.8 | 21164.0 | 2698.4 |
| computed per worker using this leave, days | 26 | 18 | 23 | 19 |

As compared with the first half of 1993, the duration of leave at the initiative of the administration on the average per worker increased in construction by 53 percent, in industry—by 37 percent, and in transport and communications—by 13 percent.

The greatest amounts of part-time employment were observed in industry in Vladimir and Kursk Oblasts, and in the Republic of Mordovia, where 42 percent of all workers were on leave lasting 38-44 days at the initiative of the administration; in Ivanovo, Smolensk and Saratov Oblasts and the Mari Republic, where over one-third of all workers were given leaves of 35-36 days.

In the surveyed sectors in the first half of the year, 390,700 persons were laid off due to elimination of jobs, or 1.3 percent of the total number of workers. Last year this figure was 285,600 persons (0.6 percent).

There is a reduction in the demand by enterprises and organization for workers, as announced by enterprises and organizations to the Federal Employment Service of Russia. In the first half of 1993 this demand comprised 519,000 persons, while in the first half of 1994 it was 374,000 persons, i.e., a decline of 28 percent.

ON PAYMENT OF WAGES. Overdue indebtedness on issuance of funds for payment of wages and other monetary payments to workers of enterprises and organizations in industry, construction and agriculture (not including funds transferred to accounts of workers in banks), as of 1 August 1994 comprised R3797.3 billion. The data on the number of enterprises having overdue indebtedness on payment of wages and volumes of indebtedness are presented in the following table:

| | On 1 July 1994 | On 1 August 1994 | 1 August 1994 in % of 1 July 1994 | Reference to 1 August 1993 |
|--|----------------|------------------|-----------------------------------|----------------------------|
| Number of enterprises having indebtedness on issuance of funds for payment of wages and other benefits, total, thousand | 33.2 | 34.0 | 103 | 17.1 |
| Including: | | | | |
| in industry | 7.2 | 7.5 | 103 | 4.2 |
| in construction | 6.1 | 6.3 | 104 | 3.3 |
| in agriculture | 19.9 | 20.2 | 102 | 9.6 |
| Volume of overdue indebtedness on issuance of funds for payment of wages and other benefits to workers of enterprises-total (billion rubles) | 3421.1 | 3797.3 | 111 | 176.0 |
| including: | | | | |
| in industry | 2092.3 | 2266.2 | 108 | 85.0 |
| in construction | 565.5 | 657.9 | 116 | 34.0 |
| in agriculture | 763.3 | 873.2 | 114 | 57.0 |
| Overdue indebtedness on issuance of funds for payment of wages and other benefits in % of funds computed for the month for these purposes at enterprises having indebtedness, -total | 146.0 | 133.5 | | 56.6 |
| including: | | | | |
| in industry | 135.0 | 118.7 | | 46.0 |
| in construction | 153.8 | 142.1 | | 69.0 |
| in agriculture | 179.1 | 185.3 | | 74.5 |

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The main volume of overdue indebtedness on payment of wages falls upon enterprises and organizations which are held in state ownership—41 percent; in mixed ownership (without foreign participation)—34 percent; in private ownership—25 percent, and at enterprises and organizations held in municipal ownership and ownership by public associations and organizations—less than 1 percent.

A significant part of the overdue indebtedness on payment of wages falls on enterprises in machine building and metal processing (29 percent of the total volume of indebtedness in industry), the fuel (25 percent), non-ferrous metallurgy (11 percent), lumber, wood processing and cellulose-paper industry (8 percent).

Indebtedness on issuance of funds for payment of wages which is overdue by more than a month as of 1 August 1994 comprised R1870.5 billion for three sectors of the economy, or 49 percent of the total sum of indebtedness. Of this, in industry it was R1036.7 billion (46 percent), in construction—R324.5 billion (49 percent), and in agriculture—R509.4 billion (58 percent).

The main reason for formation of indebtedness on issuance of funds for payment of wages and other benefits is the insufficiency or absence of funds in the current

accounts of enterprises and organizations. The greatest sums of monies not paid out in the established times go to enterprises and organizations in industry, construction and agriculture in Tyumen Oblast (R398.9 billion), Krasnoyarsk Kray (261.2 billion), Kemerovo (R1511.1 billion) and Chelyabinsk (R150.6 billion) Oblasts, the Republics of Tatarstan (R140.6 billion), Sakha (Yakutiya) (R118.3 billion), Irkutsk (R126.3 billion) and Samara (R98.7 billion) Oblasts.

ON FULFILLMENT OF INTER-GOVERNMENTAL AGREEMENTS FOR SUPPLY OF PRODUCTS. The foreign trade turnover of Russia with the CIS countries in the first half of 1994, according to estimates, comprised R15.9 trillion (in effective prices). Products and goods in the amount of R9.3 trillion were exported, or 58 percent of the overall turnover (in the first half of 1993 this figure was 64 percent), and R6.6 trillion worth of goods were imported, or 42 percent (36 percent).

Deliveries of products and goods under inter-governmental agreements comprise less than one-fourth in trade with the Commonwealth countries (in 1992-1994 they accounted for 50 percent). Their fulfillment for the first half of 1994 by basic types is characterized by the following data:

| | Supplied | % of fulfillment of annual agreements for the 1st half of 1994 | Reference: % of fulfillment of annual agreements for 1st half of 1993 |
|---|------------------------------|--|---|
| | from Russia to CIS countries | | |
| Oil, million tonnes | 14.4 | 57 | 45 |
| Automobile gasoline, thousand tonnes | 175 | 12 | 65 |
| Diesel fuel, thousand tonnes | 852 | 30 | 41 |
| Fuel oil, thousand tonnes | 920 | 53 | 45 |
| Finished ferrous metal rolled stock, thousand tonnes | 206.3 | 27 | 26 |
| Steel pipes, thousand tonnes | 38.4 | 14 | 21 |
| Artificial fibers, tonnes | 740 | 10 | 20 |
| Commercial cellulose, thousand tonnes | 29.4 | 26 | 35 |
| Meat and meat products re-computed for meat, thousand tonnes | 36 | 24 | 20 |
| Milk and dairy products re-computed for milk, thousand tonnes | 48 | 19 | 37 |
| Stocking-hosiery goods, million pairs | 2.3 | 20 | 6.2 |
| Commercial timber, thousand cubic meters | 441.9 | 15 | 18 |
| Lumber materials, thousand cubic meters | 221.3 | 19 | 25 |

In the first half of this year, shipment of finished ferrous metal rolled stock to Ukraine was 36 percent of the annual agreements, of steel pipes—11 percent, of commercial timber—14 percent, and of lumber materials—20 percent; to Kazakhstan—commercial timber—13 percent, lumber materials—6 percent; to Moldavia—steel pipes—8 percent, and to Armenia—steel pipes - 7 percent.

Deliveries of meat products from Ukraine are not going to the Russian market in full volume, comprising only 20 percent of the annual agreements; from Belorussia—milk and dairy products—19 percent, and from Kazakhstan—meat and meat products—4 percent.

PRODUCER PRICES ON INDUSTRIAL PRODUCTION. The producer price index on industrial production in July as compared with June of this year comprised 108 percent, and as compared with December of 1993—208 percent (in 1993 for this same period it was 430 percent).

In July of this year, the tendency has been retained for lagging behind of the increase in prices set by enterprises on consumer goods as compared with prices on products of production-technical application, as is evident from the following data:

| | in % of preceding month | | | | | | | July 1994 in % of December 1993 |
|--|-------------------------|----------|-------|-------|-----|------|------|---------------------------------|
| | January | February | March | April | May | June | July | |
| Industry-total | 119 | 116 | 110 | 110 | 107 | 108 | 108 | 208 |
| Including: | | | | | | | | |
| products of production-technical application | 120 | 117 | 111 | 112 | 108 | 109 | 109 | 218 |
| consumer goods | 113 | 113 | 109 | 108 | 105 | 106 | 106 | 177 |

In the light and food industry, which operate primarily for the final consumer, the growth of prices was curtailed by the demand which had been formed and the relative saturation of the market with goods. During the month, wholesale factory prices of enterprises on certain types of children's shoes and outerwear remained practically unchanged. Prices on certain articles of cotton, woolen and silk fabrics increased insignificantly (by 3-4 percent). Prices on milk and dairy products, beef, margarine products, tea and a number of other food products increased by 1-3 percent.

In most sectors of industry (with the exception of electrical power production) which manufactured products of production-technical application, the rate of growth of

prices in July drew closer together and comprised an average of from 4 to 9 percent. At the same time, with the change in the procedures for rate regulation, higher rates of price increases on electrical power were retained. During the month, the rate on electrical power for industrial consumers increased by 15 percent and comprised 60 rubles per kW/hr at the end of July. For production-agricultural consumers this increase was 9 percent and 38 rubles per kW/hr, respectively.

In the period since the start of the current year, prices on chemical products and products of the fuel-energy sectors of industry grew most significantly (by 2.4-2.5 times). Prices of enterprises on consumer goods increased on the average by 1.8 times.

| | July 1994, in % of | |
|--|--------------------|---------------|
| | July 1994 | December 1993 |
| All industry | 108 | 208 |
| Electrical power production | 112 | 253 |
| Fuel industry | 104 | 214 |
| Ferrous metallurgy | 108 | 208 |
| Chemical industry | 105 | 238 |
| Petrochemical industry | 109 | 213 |
| Machine building | 106 | 205 |
| Timber, wood-processing and cellulose-paper industry | 108 | 215 |
| Building materials industry | 107 | 217 |
| Light industry | 106 | 182 |
| Food industry | 106 | 174 |

PRICES ON PURCHASED MATERIAL-TECHNICAL RESOURCES. The increase in prices on material-technical resources acquired by industrial enterprises for production of products comprised 5 percent in July as compared with June, and industrial products manufactured during this period increased in price by 8 percent. Since the beginning of the year, prices on basic purchased resources in industry

increased by 2.0 times, while prices on manufactured products increased slightly more (by 2.1 times).

In the contracting building organizations, prices on building materials increased by 8 percent in July, and for the period since the start of the year—by 2.8 times.

The dynamics of purchase prices on primary groups of resources are characterized by the following data:

| | In % of preceding month of 1994 | | | | | | | July in % of December 1993 |
|--|---------------------------------|----------|-------|-------|-----|------|------|-------------------------------------|
| | January | February | March | April | May | June | July | |
| Material-technical resources purchased by industrial enterprises | 119 | 113 | 110 | 110 | 109 | 108 | 105 | 200 |
| Including: | | | | | | | | |
| electrical power | 118 | 109 | 111 | 106 | 115 | 108 | 106 | 200 |
| thermal energy | 118 | 128 | 108 | 119 | 122 | 112 | 110 | 292 |
| fuel | 125 | 113 | 111 | 112 | 104 | 105 | 104 | 199 |
| Raw goods and materials: | | | | | | | | |
| for heavy industry | 113 | 113 | 108 | 108 | 111 | 116 | 105 | 200 |
| for the light and food industry | 106 | 115 | 119 | 109 | 103 | 108 | 111 | 194 |
| building materials, parts and structures | 120 | 126 | 113 | 131 | 108 | 107 | 108 | 279 |

Moscow Trade Unions Foresee Bankruptcies

944F1300A Moscow *SEGODNYA* in Russian 13 Aug 94
p 2

[Article by Andrey Nikolayev: "Moscow Government Promises To Support Bankrupt Persons"]

[Text] *Officials are convinced that bankruptcies are vital for production and advantageous for working people.*

The leaders of the Moscow Federation of Trade Unions and its sectoral associations conducted a joint meeting with the Moscow Government. There they examined and considered the matter of the predicted scope of bankruptcy and the mechanisms for implementing the law on insolvency of enterprises in the capital as well as the application of additional measures of social support for working people.

Speaking at this meeting, the chief of the Labor and Social Protection Administration of the Federal Administration on Matters of Insolvency (Bankruptcy) under the Russian Federation State Committee on the Administration of State Property, Olga Vovchenko, reported that neither in Moscow nor in other cities and regions "does anybody intend to conduct model bankruptcies," and for that reason it simply makes no sense nowadays to say that Russia is threatened by mass layoffs of employees. In general, to Mrs. Vovchenko's way of thinking, bankruptcies should not be feared, if only because an insolvent or bankrupt person can be deemed such only by an arbitration court—and even then, only if it can be proven. As to enterprises "showing signs of insolvency," as previously stated, there are already some 2,000 of them in Russia.

The Federal Administration on Matters of Insolvency—which has already been in existence for more than six months—has undertaken a number of actions connected with the insolvency of several enterprises in Moscow and

other cities. During the course of these actions—according to Mrs. Vovchenko—"procedures aimed especially at reviving production" have been applied. Mrs. Vovchenko also considers that, in and of itself, bankruptcy does not create mass unemployment, inasmuch as workers, in fact, are transferred from the category of "hidden" unemployed to that of "open" unemployed. However, even in this case, according to her, everything has been provided for, and the former employees will not be thrown out onto the street, because, just prior to an enterprise being liquidated, the Federal Administration on Matters of Insolvency (Bankruptcy) will receive full information concerning all those persons to be laid off from the production facility so that—in conjunction with the Federal Employment Service—they can be assisted in the matter of job placement. Moreover, it is anticipated that in the very near future the president of Russia will sign an edict or issue a government decree on creating an insurance company for ensuring the wage fund at enterprises with various forms of property ownership. This will be done so that, in the event of bankruptcy, the employees will be able to receive wages and benefits by way of assistance.

During the meeting the first deputy mayor of Moscow, Konstantin Buravlev, also assured his listeners that the Moscow Government was undertaking specific measures to hold down bankruptcies. One such measure—according to Mr. Buravlev—was the signing by the Moscow Government of a decree creating financial-industrial groups, which, as anticipated, would help a number of enterprises to extricate themselves from their critical situations. More than 200 enterprises from the most diverse industrial sectors located on Moscow's territory have already obtained time extensions for paying their taxes in an amount totaling some R120 billion. Moreover, the Moscow Government is examining and considering other possibilities for rendering special emergency assistance to industries in the food

and processing sectors as well as those in the light-industrial and textile sectors.

Judging by the fact that the director of Moscow's Kristall plant, where strong alcoholic beverages are made, has also obtained—according to reports from the news agencies—information concerning bankruptcy, it is possible that he too has every chance of being on the list of those to whom "special emergency assistance" would be rendered.

July Inflation Growth Assessed

944F1266A Moscow NEZAVISIMAYA GAZETA
in Russian 9 Aug 94 p 1

[Article by Aleksandr Rodionov and Ruslan Sakidov under the "Depression" heading: "Inflation Begins To Increase: Gerashchenko Considers the Ruble Exchange Rate Too High"]

[Text] It appears that the predictions of high-level officials in the government and on the presidential staff regarding an acceleration in the rate of inflation, starting in August, are beginning to be fulfilled. Thus, Aleksandr Livshits, head of the president's group of experts, forecast an increase in the inflation rate in August to 10 percent a month. Government leaders, in turn, have given analogous forecasts, reinforcing them with promises to lower inflation to 7 percent a month by the end of the year and to drive down inflation to 2 to 3 percent a month in 1995.

For now, the situation is shaping up as follows: As of the last week in July, the curve for the decline of inflation reached bottom, and the hidden causes of inflation that had been repressed by the economic policy being implemented this year began to work. From 26 July to 2 August, according to data from the Russian Federation (RF) State Statistics Committee, the level of inflation rose to 1.2 percent, as compared with 0.7 percent in the preceding week (the lowest level this year). The rise in prices was fostered by the recurrent increase in the value of paid services, which rose by 5.7 percent. Housing-communal services became 10.6-14.3 percent more expensive for Russia as a whole. The fee for a home telephone increased by 10.3 percent. At the same time, prices for food generally did not change, and for nonfood goods rose by 1.1 percent.

In comparison with July, the daily rise in prices increased twofold at the beginning of August (from 0.17 percent every 24 hours in July to 0.34 percent in August). If this rate continues, inflation on a monthly basis in August will even exceed the predicted 10 percent.

The policy being carried out by the government to lower inflation was implemented by not allotting budget appropriations planned for this year to the agro-industrial complex (APK) and for fulfilling capital investment programs. As of the middle of July, of the stipulated volume of funds, the APK had received from the budget less than 10 percent of the monetary

resources, and funds for capital investment were generally not allotted at all. Budget money, which shortly must go to the APK and to industry in accordance with the government's promises, will undoubtedly lead to an acceleration in the rate of increase of prices.

In spite of a 10 percent increase in Russian exports in the first half of the year, as shown by statistics, and despite continuation of a large positive foreign trade balance—at a level of 8.1 billion [currency not indicated]—an unduly high ruble exchange rate with respect to the dollar can lead to an undesirable reduction in the effectiveness of export operations. Right up to the end of July, the Central Bank conducted a stringent policy directed at lowering the rate of growth of the dollar exchange rate and at avoiding sharp jumps in the exchange rate on the Moscow Interbank Foreign Currency Exchange. This led to a situation in which the dollar sometimes rose as much as twice as slowly as the increase in prices overall. The buildup for a potential rise led to an explosion in the foreign exchange market last week; the rate of growth in the dollar exchange rate increased threefold and amounted to 1.2 percent for the week, thus exactly duplicating the rate of inflation. In an interview Friday with INTERFAX, the chairman of the Central Bank of Russia Viktor Gerashchenko, touching on the issue of the exchange rate of the ruble with respect to foreign currencies, expressed the opinion that at the present time, the exchange rate was "to a certain degree too high" if one takes into account the rate of inflation in the country. He noted that the Central Bank through intervention in the foreign exchange market must support the competitiveness of traditional Russian exports. The lower the ruble exchange rate, the more effectively Russia can export. In this connection, the acceleration in the rates of increase in the market quotes for the dollar (that is, with respect to the cash dollar) is completely natural.

The reduction in the rate of inflation—which was not justified from the point of view of the economy—has led to an even greater aggravation of the nonpayments problem, which is now reaching R30 trillion. In Oleg Soskovets' opinion, adoption of urgent and decisive measures for resolving the nonpayments crisis "does not allow for a minute's delay."

By striking a balance between the struggle against inflation and support of production, the government can carry out decisions taken earlier and can make new decisions, whose inflationary potential does not for now lend itself to prediction. According to an INTERFAX report, five draft presidential edicts on controlling money-cash circulation and on regulating the size of enterprises' funds directed toward consumption should be prepared this week. Implementation of presidential edicts on payments discipline and aid to enterprises is continuing, and it has already been planned to raise the factor for increasing pensions, relative to the current amount, from 1.15 to 1.51.

It is not known, though, whether a future spurt in inflation will succeed in stopping the decline in production or whether it will make the decline more intense. The last Central Bank auction set the rate for three-month credit at 90 percent, with the refinancing rate at 150 percent. (See "Markets for the Week," on page 4.) The "syuffitsit" [word not known] of capital is so pressing that banks have not displayed any special zeal, despite official predictions of a two-fold rise in the rate of increase in prices.

It appears that, with a new inflationary spiral, the outlines of the Russian depression are being shown even more clearly.

Foreign Trade Bank To Receive Precious Metals License

944E1138A Moscow KOMMERSANT in Russian
No 29, 9 Aug 94 pp 8-9

[Article by Yelena Makovskaya: "Trading in Gold: There Is No Market Yet, but the Participants Are Already Known: Last Week, the Foreign Trade Bank Set About Implementing the 'Gold Credit' Project"]

[Text] Over the course of the past month, the Central Bank of Russia has actively issued licenses to Russian commercial banks for working with precious metals. This measure testifies to the state's intention to abandon the monopoly for transactions involving precious metals, which, until recently, seemed permanent. The monopolist's obstinacy had been crushed by the objective processes in the Russian economy. The state lacked the resources to support the gold-extracting industry and to buy up the extracted gold.

Presently, Central Bank licenses for working with precious metals are held by such Russian banks as Vneshtorgbank, Promstroybank, Tokobank, Inkombank, the Russian Credit Bank, Stolichnyy Bank, Alpha Bank, Kuzbassotsbank, Menatep Bank, Most Bank, Perinkombank, Tveruniversalbank, and others. This license confers the right to purchase for rubles precious metals (gold and silver) from the extracting enterprises, from one another, from Roskomdragmet [the Russian Federation Committee on Precious Metals and Precious Stones] and from the TsBR [Central Bank of Russia] and to sell them. The banks are permitted to accept and transfer precious metals for deposit on the basis of credit agreements. However, "this permission does not confer the right to export precious metals in kind beyond the borders of the Russian Federation [RF]." The emergence of the network of authorized banks, to all appearances, should serve as a prerequisite for the establishment of a gold market in gold-extracting Russia. (The annual extraction of gold in the country amounts approximately to 150 metric tons. At the same time, the amount required for state needs comes to 80-90 metric tons. Something on the order of 30 metric tons is processed for export and, consequently, 30-40 metric tons might well turn up on the open market.)

So far, not a single bank which has a "gold" license has started transactions: There are no rules of the game. (In the majority of banks, the departments and groups of specialists which will head up this direction are just being established.) Judging by a survey of potential market participants conducted by KOMMERSANT, the banks are biding their time. The majority of bankers are convinced that the price of gold in the domestic market will turn out to be higher than the world price due to the value-added tax and the limited supply.

Most likely, the authorized banks will first try to reach an agreement on the purchasing of gold unclaimed by the RF Committee on Precious Metals and Precious Stones and the Central Bank from the extracting enterprises for its subsequent resale. However, here the banks are up against the lack of any idea about the demand for and the supply of gold. The banks' longer-term strategy assumes the extension of credit to the gold extractors and the establishment of stable relations with them. The acquisition of gold by the banks in order to secure foreign credits attracted by them may be considered to be the next direction being planned. The Inkombank is thinking about a plan for selling a gold certificate to enterprises based on holding the gold in the bank with its subsequent sale on a client's order.

While such banks as the Foreign Trade Bank are more interested in the rules for working with legal persons, the Stolichnyy Bank would like to have the opportunity to work with private persons—from which it is possible to draw the conclusion that the Stolichnyy Bank is relying on a demand on their part. Seemingly, in its hopes, the Stolichnyy Bank is proceeding on the basis of the population's firm desire to get away from inflation. (According to KOMMERSANT's information, the country's population is currently holding approximately 700 metric tons of gold in jewelry and coins.) However, according to the bank's specialists, there are obstacles in the way of the opening of gold accounts by private persons. The first is the value-added tax for transactions involving gold (according to the statute on the conducting of transactions involving precious metals of 30 June of this year, gold is a commodity and not a means of payment). The second is the legislative prohibition on private clients obtaining the metal in physical form.

According to KOMMERSANT's information, different versions of the idea of the establishment of a gold market in Russia are being studied with the participation of workers of the Central Bank, the Ministry of Finance, the RF Committee on Precious Metals and Precious Stones and the Committee on Anti-Monopoly Policy. But the working group's participants acknowledge that, "for now, even its common features are not too different." At the same time, although sluggishly, preparations are being carried out for the establishment of a precious metal exchange which is supposed to begin operating in October of this year (at the end of the extraction season). Apparently, the exchange will be an interbank one with a

limited number of participants—25 (or fewer) authorized banks. Gold and silver will be the exchange commodity.

Very actively offering its services for the establishment of a trading site is the Moscow Nonferrous Metal Exchange, and there was talk of a site in the Central Bank or the Ministry of Finance. However, this matter has also not been decided definitively, of course.

An associate of the Russian Credit Bank's precious metals department, Pavel Khoroshev, is certain that, in the future, the authorized banks will inevitably be trying to overcome the "taboo" and to escape into the international arena. Mr. Khoroshev himself considers it unwise to part the Iron Curtain between the domestic and foreign markets. Nearly all the surveyed potential participants in the new market concur in this matter with the banker from the Russian Credit Bank. The Foreign Trade Bank of Russia turned out to be in opposition to this assertion. It is true that, in order to understand its reasons, it is necessary to present this bank's special features in more detail.

The Foreign Trade Bank of Russia is the only bank that is an agent of the government, having the right to sell state gold in the foreign market. (The controlling block of the Foreign Trade Bank stock belongs to the state. The Foreign Trade Bank's paid-in charter capital has been partly raised in gold—50 metric tons—through a Central Bank of Russia payment and amounts to R620 billion.)

The Foreign Trade Bank was established in 1991 through the efforts of the Russian Government as a counterweight to the USSR Vneshekonombank [Bank for Foreign Economic Relations], which then predominated in the foreign market. As a result of the numerous reorganizations of both banks, transactions involving gold passed to the Foreign Trade Bank, while its gold dealership has been staffed almost completely by former associates of the Bank for Foreign Economic Relations. Today, the Foreign Trade Bank is perceived in international financial circles as the lawful successor of the Bank for Foreign Economic Relations, which, in particular, has contributed to the strengthening of the bank's prestige in the world gold market.

In practice, transactions involving the exporting of gold are carried out in the following manner. The government or the president issue directives (secret ones), in which the Foreign Trade Bank is instructed to sell a specified amount of gold in the international markets. They usually also contain an order to the RF Committee on Precious Metals and Precious Stones to allocate the corresponding amount of the metal. The document indicates to where the bank is supposed to credit the earnings. (The sales may be special-purpose ones, when the earnings are earmarked, let us say, for the development of a specific gold-extracting region, or undesignated ones—when the funds are credited to the RF Ministry of Finance's special accounts. The Foreign Trade Bank does not keep track of the use of the earnings.)

According to the Foreign Trade Bank's chief of the currency administration, Yuriy Mityuk, the shipment of each export lot is strictly monitored by customs. The gold is shipped in standard (12.5-kilogram) or measured (1-kilogram) bars. The measured bars, which require large expenditures of labor during manufacture, are especially popular among foreign investors, cost more and, consequently, increase the selling bank's premium. The purity (assay) of Russian gold, as a rule, exceeds the international norms and amounts to 999.8-999.9 as against the generally accepted 999.5. The seller is paid an additional premium for the sale of high-quality gold: from 10 cents to 1 dollar per troy ounce (31.1347 grams) depending on the delivery site and the market demand. (The world price for gold is currently hovering around the \$384 per troy ounce mark.)

According to Yuriy Mityuk, the Foreign Trade Bank is not using gold as security for credits, inasmuch as, in world banking practice, there is a rule that forbids the creation of advantageous conditions for some creditors without their simultaneously being offered to others. The Foreign Trade Bank's specialists are getting around this sharp corner with the help of the "financial swap" transaction—the sale of the metal on the condition that it be bought back after a specified period. At the same time, the purchase price will be higher, inasmuch as it will include the cost of financing. But the financing cost itself (let us say, at the London Interbank Offered Rate) will turn out to be cheaper than attracting funds in the public market on an equal basis for the rate for a gold deposit.

It is true that, for gold deposits, the rates are incomparably lower than those for currency deposits. They rarely exceed 1 percent per annum, while, presently, they are fixed at the level of 0.1-0.3 percent per annum.

Legally, this transaction does not involve credit secured by gold, but almost duplicates it.

Presently, the Foreign Trade Bank has acquired the reputation of a professional participant in the international market. According to the bank's chief of the currency administration, the bank is achieving professionalism in working with gold because it not only uses the market quotations, but is itself quoting buying and selling prices. Previously, everyone knew: The Russians always conduct one-way transactions—they sell the metal. In expectation of this event, the market participants skillfully beat down the selling price. The two-way quotation prevents divining the actions of the contracting party from Russia: You understate the price, so he will buy all the same. The Foreign Trade Bank's daily turnovers due to arbitrage transactions are reaching tens of metric tons. The volume of actual sales of Russian gold are being skillfully and unnoticeably concealed in them.

Having received a license for working with precious metals in Russia's domestic market, the Foreign Trade Bank is planning to become one of its most active

participants. The bank has already started the implementation of a pilot program for extending credit to the gold-extracting industry by using gold loans. A gold loan assumes the granting of credit to the extracting enterprises in gold. Thus, the borrower assumes the obligation to return the gold upon the expiration of the credit period, let us say, for 20 percent more than he received. Naturally, a gold loan does not mean the moving of "mountains of gold" physically from one subject to another. The settlements are carried out in rubles at a price equivalent to the value of the stipulated amount of gold, which, by agreement of the parties, the bank sells in the domestic market. For the gold-extracting enterprises, the gold loan may turn out to be preferable to ruble or currency credits. The rates for the former are still quite high, while the latter require hedging, inasmuch as it is not known what the exchange rate will be at the time of payment.

Poll Views Level of Economic Discontent

944K2216B Moscow ARGUMENTY I FAKTY
in Russian No 34, Aug 94 p 1

[Report on a poll of the Public Opinion Fund by unidentified correspondent: "Why Would I Take to the Barricades?"]

[Text] Respondents were asked the question: "Of that which is listed, what must happen in your life for you to take part in mass actions against the leadership of the country?" No more than three answers could be given. The respondents answered in the following way (in percentages):

| | |
|--|----|
| Nothing will compel me to take part in mass actions | 27 |
| Lack of money for food | 26 |
| Loss of job, with no possibility of getting another one | 18 |
| Lack of money for the purchase of clothing and shoes for myself and for the children | 15 |
| Lack of money for medicine for myself and for kin-folk | 15 |
| Many months of delay with the payment of wages | 10 |
| I am ready now to take part in such actions | 7 |
| Other | 3 |
| I find difficulty in replying | 21 |

Students and pupils significantly more often cited the lack of money for food as a reason that could compel them to take to the streets (35 percent). It was 24 percent among pensioners.

Specialists with a higher education see in the loss of work a more weighty justification for taking part in actions. These accounted for 26 percent.

Public Opinion Fund. All-Russian poll of the urban and rural population, July 1994, 1,281 respondents.

Duma Official on Bank Legislation, Taxes

944E1129A Moscow TORGOVAYA GAZETA
in Russian 4 Aug 94 p 2

[Article by Mikhail Zadornov, chairman of the State Duma Committee on the Budget, Taxes, Banks, and Finance: "The Laws Must Operate Directly"]

[Text] If we speak of the principles that guided our committee in its work on banking legislation as well as tax and budget legislation, I would say the main one is this: All newly prepared laws must be direct-action laws. That is, the actual texts of the laws must be written in such a way that they contain exhaustive interpretations and do not allow any possibility of re-interpretation of the specific points by instructions of the State Tax Service, letters of the Central Bank of Russia, or other subordinate enactments. It is precisely the direct-action norms included in the laws that make it possible for all subjects of economic activity to feel much more confident of themselves. To achieve this many things will have to be reworked.

The two primary laws operating in the banking sphere today, the Law on Banks and Banking Activity and the Law on the Central Bank of Russia, were adopted, as you recall, in 1990. Four years is simply a colossal time for a transitional period. Many norms are already obsolete and a whole number of additions are now necessary. Drafts of new laws have been prepared and were examined more than once by the Russian Supreme Soviet in its time, some even on second reading. But unfortunately, the president did not sign them. All the same, the significant preparatory work done then was not in vain. It provided a basis for our committee. And the orientation was absolutely clear—to establish and develop the institutions of a market economy.

The draft Law on Banks and Banking Activity preserves the structure of the existing law. In fact, some points of the law are modified and a number of major new points are introduced. The basic concepts of bank, credit institution, and banking operations are clarified.

We will insist that only banks have the right to carry on operations to attract personal deposits, whereas today anybody who wants to can do this. We prescribe a clearcut procedure for issuing and recalling licenses for banks and credit institutions. The measures by which the Central Bank of Russia influences the commercial banks in cases of their violation of the law are recorded. The concepts of "banking confidentiality" and "depositor's rights" are also put in concrete form. We tried to define clearly the rights of the parties, including the rights of the client, the bank, and their relations with the state. Clients must be guaranteed access to concrete information about the banking institutions with which they want to work.

The question of guaranteeing personal deposits is important. The creation of a personal deposit insurance fund, as has been done in many countries in the interests of

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small depositors, has been under discussion for some time. The text of the draft Law on Banks and Banking Activity does not yet contain the corresponding points. But we are going to work up this section for second reading. The principles of bank relations with the Central Bank are defined. The draft law adopted by the State Duma on first reading introduces a special article on regulating the activity of foreign banks in Russian territory. We consider it wise during the transitional period—for the coming five years—to preserve certain restrictions on the activity of foreign banks in Russian territory.

Something I regret is that the draft law still contains many reference norms on the activity of specialized banks, insuring deposits, and responsibility for timeliness in making payments. In the fall we hope to complete work on a number of new sections of the draft law.

The Law on the Central Bank of Russia, which was prepared by the subcommittee on Central Bank activity and money-credit policy, is essentially a new law and largely a direct-action law. According to the thinking of the authors, when it is introduced there will no longer be a need for many articles of the Charter of the Central Bank of Russia or numerous supplementary instructions of the Central Bank. The Law on the RF Monetary System is organically included in the draft law, and mutual relations of the Central Bank and the government and parliament of Russia are clearly defined. The new draft law is a significant step forward conceptually in defining the role of the Central Bank as an independent organ whose purpose is to support the stability of the ruble and the banking system as a whole and to regulate its activity, functions, and the nature of interrelations with commercial banks.

The list of those norms which the Central Bank itself has the right to set for commercial banks and the procedure for revising them are specially singled out. This is an example of implementation of the principle of direct-action legislation.

A special article lists the operations which the Central Bank of Russia can perform at the commission of the RF Government. The principle of restricting Central Bank participation in the capital of other banks, organizations, and enterprises is upheld.

The section of the law that regulates the procedures for the functioning and activities of administrative organs of the Bank of Russia aroused serious arguments. The text of the draft law which was adopted on first reading contains the following wording: At the proposal of the RF President the State Duma appoints a Council of Directors with 12 members. It includes the chairman of the Bank of Russia, his deputies, and also Council members chosen from "authoritative and experienced specialists in the fields of banking as well as economics and finance." In our view, the inclusion of these authoritative and fairly independent people in the membership of the Council of Directors will promote the adoption of

more thoughtful decisions. The experience of the first contacts and mutual actions of the finance-budget committees of the State Duma and the Council of the Federation enable us to look to the future with optimism: in deciding questions of fundamental importance for the Russian economy we can find common points of view where we need them and reach compromises so that the work does not suffer.

The draft laws that have been prepared are just one of the steps toward changing Russia's economic legislation. For now we are responding only to some critical questions raised by experience, and eliminating only some of the contradictions. Recognizing this, I am not an advocate of major changes in the banking sphere. This is a very delicate system and abrupt movements can cause harm. Changes need to ripen.

It is a different matter that we must see the future development of the banking system as a whole so that our movement, step by step, fits into the general conception. There is an idea of preparing a special Banking Code which could include solutions to many fundamental problems.

A certain conflict is taking shape, especially in recent months, with edicts coming from the president. It is as if two parallel blocks of legislation were forming: operating laws and edicts which sometimes conflict significantly with the laws—these are banking and tax laws or the Civil Code now under consideration. For our part, when preparing new draft laws to elaborate operating laws, we also enter into conflict with presidential edicts that have already been adopted. This conflict can hardly be considered normal. My point of view is that economic legislation is the prerogative of the legislative branch specifically, and no references to the burning need for changes should disturb this principle. The Committee on the Budget, Taxes, Banks, and Finance is ready for extensive discussion of the draft laws adopted on first reading, in order to work up a number of basic points by October.

Current Slant of ROSSIYSKAYA GAZETA Critiqued

944F1286A Moscow OBSHCAYA GAZETA
in Russian No 32, 12 Aug 94 p 12

[Article by Anna Politkovskaya under the rubric "Colleagues": "A Conversation That Never Took Place: ROSSIYSKAYA GAZETA as Chief Young Pioneer Leader of the Domestic Mass Media"]

[Text] I am very curious as to how hard life can get for a newspaper these days. Or how much one has to bend in order to eat reasonably well? These are far from idle questions, especially for ROSSIYSKAYA GAZETA. Things have been difficult for it lately: It acquired notoriety for pouring varying quantities of dirt over the entire journalistic world of the capital, handing out wild, swiping slaps in the face to whoever happened to be around. What

is happening? Why is ROSSIYSKAYA GAZETA heading so irreversibly toward a complete break with the guild?

We intended to pose this and many other questions to the person who unquestionably is the first lady of the ongoing conflict—ROSSIYSKAYA GAZETA editor in chief Natalya Ivanovna Polezhayeva. Alas, at the last moment she categorically refused to give an interview to OBNCHAYA GAZETA. Therefore, we will have to navigate on the basis of our own guesses and conjectures, discuss and argue as to why and how. Naturally, in the independence that has suddenly opened up to us, a certain subjectivism of opinion can easily occur, for which we apologize in advance.

Let us take a brief walk through just a few of the last issues of ROSSIYSKAYA GAZETA. 20 July: "Circulation: Figures and Facts" (right there on the front page, as the main article of the issue): "Well, dear advertisers, subscription figures are here, and accordingly, one can forecast the effectiveness of advertising in some or other publication.... At least these data will give you a more or less objective picture in such a subjective sphere of activity as advertising."

What follows next in the material are the figures of "real" circulation of IZVESTIYA, ROSSIYSKIYE VESTI, SEGODNYA, TRUD, NEZAVISIMAYA GAZETA, and many other periodicals in the ROSSIYSKAYA GAZETA interpretation. Published right next to them are the "sham," as ROSSIYSKAYA GAZETA calls them, circulation figures, that is, the information that is customarily published by each periodical in its publication data. In ROSSIYSKAYA GAZETA's opinion, everybody, with the exception of itself, publishes deliberately false, higher than real, data, thereby constantly deceiving potential advertisers, for whose interests the exposé of its colleagues' malicious lies—ROSSIYSKAYA GAZETA—so touchingly has decided to watch out. The verdict is direct and uncompromising, as becomes true Leninist exposés (we quote): "All newspapers lie in giving figures for their circulation."

Naturally, ROSSIYSKAYA GAZETA's figures were immediately publicly refuted by the slandered publications. Here are just the headlines of some refutations: "ROSSIYSKAYA GAZETA Publishes False Data on IZVESTIYA Circulation and Misleads Advertisers" (IZVESTIYA 22 July); "The Ministry of Lies. The Government Publishes a Newspaper That Cannot Be Trusted" (MOSKOVSKIY KOMSOMOLET, 26 July).

However, on the same 26 July, under the same heading "Circulation: Figures and Passions," ROSSIYSKAYA GAZETA ups the conflict situation some more: "If you, dear advertisers, decide to ask the editors of some periodical to show you documents proving the circulation figures, they will probably oblige. But still, do not fall for the figures.... So who, other than the publishers, can give you objective figures on circulation? Who will

protect the legitimate rights of the consumer, whose fees are based on circulation figures?... RIA ((Russian Information Agency)) Rossiyskoye (an advertising-informational structure which is part of ROSSIYSKAYA GAZETA—A.P.) attempts to provide an objective picture of the newspaper market for potential consumers' reference; it takes the official data, publishes this all, and as a result the RIA Rossiyskoye and ROSSIYSKAYA GAZETA find themselves in the center of hurt and angry publishers from whom they try to take advertisers." Do you sense the truth—who in Russia is not only a true Leninist but also the chief friend of all the moneyed guys?... Let us go on, though.

On 3 August—an article under the heading "ROSSIYSKIYE VESTI Is Getting Thinner Because Its Editor in Chief Has Puffed Up" (this is also a heading of a front page material): "It looks as though the editor in chief has gotten completely entangled in his own lies.... All in vain. The government has already made its attitude to freeloaders completely clear. (The point being made is that ROSSIYSKIYE VESTI is a newspaper that allegedly does not wish to do anything on its own and only waits for government subsidies.) ROSSIYSKIYE VESTI, of course, is not MMM...." And then already about ROSSIYSKAYA GAZETA, one's own favorite topic: "...we are not longer freeloaders—we are partners!" (Meaning that ROSSIYSKAYA GAZETA does not depend solely on the money it takes from the government—that is, the taxpayers—for its life support but actually has learned to earn something on its own.)

Well, what can one say: It is difficult, of course, to muster great respect for Lenya Golubkov, but what can one do if the newspaper sees itself in precisely such a role—as is known, an artist is his own judge. We will humbly accept this self-appraisal on the part of ROSSIYSKAYA GAZETA. However, the newspaper's biting is far from limited to the circulation-subscription epic, this true trouble, this toothache of all publications without exception in the environment where millions of potential and former subscribers in the country have become insolvent.

27 July—"Buds Are Swelling. And So Is the Liver" (naturally, front page): "When in the middle of March of this year Version No. 1 of the state coup, spread by a schizophrenic still unknown to the general public, began to circulate in Moscow editorial offices and agencies, sensible journalists only laughed and tapped a finger at their temple in the universal "what-a-nut" sign in passing this gibberish to one another. But there is OBNCHAYA GAZETA in Moscow, with all its 7,900 subscribers, which took this gibberish absolutely seriously."

This is already about us. And after the Judiciary Chamber on Information Disputes had already put all the dots over "i's" in this Version No. 1 story and all the disclosures and debunking had become a thing of the past. ROSSIYSKAYA GAZETA once again pursues one

single goal—to spite, to roll once more over its colleagues' bodies, to taunt, to scoff. Why? For what purpose, considering that ROSSIYSKAYA GAZETA and OBSHCAYA GAZETA are not even competitors in the newspaper market?

I want to remind our readers that ROSSIYSKAYA GAZETA this year wrote about us in particular abundance, almost monthly sacrificing a special to OBSHCAYA GAZETA's problems. And, as usual, was quite blunt. There was a lot that ROSSIYSKAYA GAZETA did not like. Things major and minor. Version No. 1, and the ties with VAZ [Volga Auto Works], which ROSSIYSKAYA GAZETA does not approve of. But it zeroed in with special gusto on the subject that the idea to start publishing a new newspaper, SNG: OBSHCHIY RYNOK ("CIS: A Common Market"), which would help to restore the disrupted economic ties between the former USSR republics, had occurred to OBSHCAYA GAZETA's founder Yegor Yakovlev rather than to someone else. Moreover, the idea got support from the Government of Russia; a special decision was made, and money allocated.

For this idea, and even more so for the money, Yegor Yakovlev even earned a nickname from ROSSIYSKAYA GAZETA: "a shark of socialism." And so began a series of sequels on its pages: "Shark of Socialism-2," "Shark of Socialism-3," "Shark of Socialism-4...." I want to let them know that the collective is waiting impatiently for the sequels, looking forward to a more complete reflection of OBSHCAYA GAZETA's life in the fifth, sixth, twentieth, and so on installment—depending on the series creators' reserves of bile and malice.

One can see a certain trend: ROSSIYSKAYA GAZETA especially hates those publications (SNG: OBSHCHIY RYNOK, ROSSIYSKIYE VESTI) which in some way, even minimally, lay claim to something of which ROSSIYSKAYA GAZETA wishes to be the one and only owner among all the mass media: the government's—that is, taxpayers'—money.

ROSSIYSKAYA GAZETA is a government newspaper, which means it is financed out of the budget. According to MOSKOVSKIY KOMSOMOLET'S data (26 July), "in the first half-year alone, ROSSIYSKAYA GAZETA received from the budget R9.6 billion. The top management of ROSSIYSKAYA GAZETA enjoys government support as well.... by a separate Russian Federation Government decision it was equated with federal ministers with respect to perks and amenities." This, however, does not seem to give them a legitimate right to put themselves above their colleagues, maliciously lecturing them—as a rule, without a good reason, just from a penchant for lecturing.

And here, as it seems to us, is the second answer to the question as to why ROSSIYSKAYA GAZETA so openly dares to break with its colleagues working in other publications. You see, there are different people among

us. Some treat wealth and poverty sensibly. These, as a rule, are healthy people. Others have real trouble coping with the favors that befall them, and their reaction with time becomes increasingly morbid. As a rule, it is a collection of all sorts of phobias, which spill out onto anyone who happens to be near. God forbid that such people should come to power—we will have quite a mess!

The amount of maintenance given to ROSSIYSKAYA GAZETA, counting the privileges, is so fantastically huge as compared to the dismal situation of most domestic publications that apparently the ROSSIYSKAYA GAZETA management did not withstand this trial—it sent their heads spinning. The morbid reaction became obvious. ROSSIYSKAYA GAZETA clearly cannot cope with the status of an official government newspaper. By the way, this position in the society can be quite dignified—had there been different people working there who were aware of the responsibility of being called a government organ of a great state. A mouthpiece that is not just heard, but listened to.

The morbidity of the reaction also begat an incredible aplomb on the same grounds of special sanitariums, government cars, government communications, and special cafeterias. Alas, the latter nevertheless is not enough to establish oneself in journalism: It is necessary to know how to put pen to paper, and do it well, in concert with one's own thoughts. Does the journalistic world know the style of Mrs. Polezhayeva, ROSSIYSKAYA GAZETA's editor in chief? At least as well as it knows the style of Vitaliy Tretyakov (NEZAVISIMAYA GAZETA), Igor Golembiovskiy (IZVESTIYA), Dmitriy Ostalskiy (SEGODNYA), Viktor Loshak (MOSKOVSKIYE NOVOSTI) and many other editors in chief of Russian newspapers?... Nobody knows how Natalya Polezhayeva writes—or perhaps someone does, whom we, alas, do not know. A choreographer who has no idea of ballet steps.

The next step of the visibly growing aplomb is the desire to play big politics and, naturally, to wag a finger this time at those who give you this enormous living allowance. It turned out that this "fifth column" path is not alien to ROSSIYSKAYA GAZETA either. On 3 August, amidst the most acute Chechen crisis, the newspaper that is the official voice of the Russian Government publishes a package of explosive documents of the Chechen Provisional Council, which represents only one group among the Chechen opposition fighting for power. Here you have a "Political Declaration," a "Decree on Power," and a "Provisional Council's Statement." Here, too, is Mr. Avturkhanov's proposal that consultations should begin on the subject of creating, jointly with Ingushetia, a Vaynakh Republic. If the Vaynakh Republic does materialize, what is one to do with Ruslan Aushev, the president of Ingushetia, the same one who, more often than others, has been directly warning Moscow lately of the danger of clumsy attacks against

one of the sides in Chechnya and unconditional (material and moral) support for the other, and of a realistic danger of war in the Caucasus?

The result was a ROSSIYSKAYA GAZETA issue that reminded us of the times of the GKChP ((State Committee on the State of Emergency)), when the newspapers were compelled to publish official documents of an illegitimate organ of authority, and when the newspaper pages spilled into the country the proposals which history, for want of a court trial, will be sorting out for a long, long time.

As if reinforcing the associative links with the GKChP, ROSSIYSKAYA GAZETA without blinking an eye presented these materials as front-page stories, that is, of greatest importance. Without so much as attaching an editorial comment to it, which is necessary in such situations, thus making it look like a presidential edict or a government decree.

By the way, next to the "Chechen" package ROSSIYSKAYA GAZETA did indeed place a Russian Government decree, thereby in a way equating in status a group of enthusiasts in one the most complex Russian regions and Mr. Chernomyrdin's cabinet. One can only imagine how many people in Chechnya were plunged into fear and cold shivers by such exercises on the Russian side. Those who understand what a "government newspaper" means, being of sound mind and firm memory, also realize that if such documents on the deposition of "Dudayev's dictatorship" are published by a government newspaper—not some OBSHCAYA GAZETA or NEZAVISIMAYA GAZETA—we deal here with an official program undertaken by official Moscow with respect to official Groznyy. There is simply no other interpretation for this.

Official Moscow, however, does not have a concrete program, let alone the kind proposed by ROSSIYSKAYA GAZETA, which was announced on all television and radio channels as well as in other newspapers by government and presidential apparat figures, who spoke of the impermissibility of overthrowing Dudayev and of looking carefully over all the forces in Chechnya. What we clearly have here is a "fifth column" virus generated by ROSSIYSKAYA GAZETA. Place of action—official Moscow, within which a true saboteur is operating, and a very stupid one at that.

In publishing such declarations, ROSSIYSKAYA GAZETA could, for instance, in keeping with the law on the mass media, give a thought to the impermissibility of making things public without an explanation as to where these documents came from and who guarantees their veracity. Otherwise.... Otherwise, what results is Stupidity, which may result in crimes.

Of course, the word STUPIDITY does hurt, but alas, it is very hard to find another one that would characterize more precisely the zigzags in ROSSIYSKAYA GAZETA's contents. And this includes not only the

Chechen and circulation topics. STUPIDITY is the feeling one lately gets from reading ROSSIYSKAYA GAZETA on a regular basis. It constantly causes embarrassment in the society; it fidgets and provokes; it is disgusting, like an old hangnail.

Nevertheless, the lessons of ROSSIYSKAYA GAZETA will be useful. Many Russian newspapers are facing an imminent transition to someone's maintenance—this is the coming of the tragic finale of the drama called "The Freedom of Speech Illusion." ROSSIYSKAYA GAZETA now knows better than others how it feels to sell out and where it all ends. It has had enough of the hard newspaper life now, and it has sold itself so solidly that this umbilical cord can no longer be broken or cut. Who is who there? Where is Polezhayeva? Where are those who feed her? Where are the executors of the will of the tamed? Where is conscience, finally? Or is that really an obsolete notion?...

Edict Adjusting Methods for Collecting Profit Tax, VAT

944F1261C Moscow ROSSIYSKAYA GAZETA
in Russian 13 Aug 94 p 1

[Russian Federation Presidential Edict No. 1677: "On Clarification of Current Procedure for the Levying of Profit Tax and Value Added Tax"]

[Text] In order to bring tax legislation into line with the current economic situation as quickly and efficiently as possible and reduce the tax burden on producers of goods I hereby decree:

1. that when enterprises sell stocks of products manufactured (or acquired) at prices below production cost (or cost of acquisition) in order to pay profit tax and value added tax (VAT), then the sale price of those products will be used on the condition that the enterprise was unable to sell the products on the market for a lengthy period of time and this resulted in decreased attractiveness of the product to consumers, or if current market prices for similar products are below their actual production cost.

Prior to the time that the products are sold the enterprise is required to report to the local tax agency at its place of registration its intention to sell the products at prices below production cost, indicating the proposed price and the types and quantity of products to be sold. Furthermore, for purposes of taxation the aforementioned products sold to consumers must be accounted for at a single price.

2. that when enterprises exchange products (or work or services) or transfer them without compensation the proceeds (or turnover) for purposes of calculation of profit tax and VAT is to be determined based on the average price for a similar product (or work or service) sold within the previous month, or in cases in which no

similar product has been sold within the time period indicated, based on its most current price, but not less than its production cost.

3. that in the event that tax inspectors discover violations of the procedure outlined in points 1 and 2 of this Edict by a seller enterprise, then in addition to the fines established by Russian Federation legislation an additional fine will be imposed in an amount equal to the reduction in the amount of proceeds (turnover), plus an administrative fine on the enterprise's manager in an amount provided for by Point 9 of Russian Federation Presidential Edict No 1006, issued on 23 May 1994, "On Implementation of Comprehensive Measures With Regard to Timely and Complete Payment of Taxes and Other Mandatory Payments Into the Budget."

4. that the Russian Federation State Tax Service in consultation with the Russian Federation Ministry of Finance shall prepare guidelines regarding procedure for the application of the points contained in this Edict.

5. that the Government of the Russian Federation shall by 1 October 1994 submit for the consideration of the State Duma of the Federal Assembly a draft federal law prepared in accordance with the points contained in this Edict.

6. that this Edict shall take effect immediately upon publication.

[Signed] B. Yeltsin, President of the Russian Federation
Moscow, The Kremlin
10 August 1994, No. 1677

Slump in Production Continues First Half of 1994

944E1124A Moscow *EKONOMIKA I ZHIZN*
in Russian No 32, Aug 94 p 1

[Article by V. Shprygin, president of the Tsenakor Center for the Study of Price and Market Conditions,

corresponding member of the Russian Academy of Natural Sciences: "Slump in Production and Rise in Hidden Inflation"]

[Text] What does an analysis of the results of the first half of 1994 show? As before, there is a large-scale slump in production, accompanied by an increase in mutual debts of enterprises and a rise in prices, which intensifies the process of deindustrialization of the national economy and aggravates the disproportions between production and consumption, thereby destabilizing the economy even more.

On the whole, throughout industry the slump in production during the first half of 1994, as compared with the same period of 1993, comprised 27 percent, including in such basic sectors as electric power, 7 percent, the fuel industry, 14 percent, ferrous metallurgy, 25 percent, and machine building, 43 percent. As a result, the slump in industrial production in relation to the 1991 level has already reached 50 percent. In July it increased even more. It is expected that during the second half of the year the slump in industrial production in relation to the first half of the year will increase by another 7 to 8 percent.

The decline in production is reflected in the rise in costs and prices. The effect of this factor on production costs during the first half-year comprised 30 to 35 percent. Thus, the decline in production becomes one of the dominant factors in the price rise. As a result, prices acquire a cost-based nature to an ever greater extent. Factors connected with the limitation of demand have begun to be manifested. However, they do not have a healthy economic basis and are caused by the growing shortage of funds at enterprises with their increasing unmet need for products. This is evident from the following data:

Production of Some Key Products for Production and Technical Purposes

| Products | First Half-Year of 1994 in % of First Half-Year of | | Degree of Satisfaction of National Economic Needs for Product, in % |
|-------------------------|--|------|---|
| | 1991 | 1993 | |
| Steel pipes | 30 | 48 | 26 |
| Mineral fertilizers | 53 | 79 | 30 |
| Sawn timber | 41 | 69 | 28 |
| Paper | 47 | 75 | 37 |
| Cement | 42 | 70 | 31 |
| Freight railroad cars | 23 | 39 | 30 |
| Passenger railroad cars | 69 | 66 | 48 |
| Machine tools | 28 | 46 | 22 |

Such a situation attests to the growing crisis in the investment sphere and leads to the aging of fixed capital.

At the same time, it aggravates the structural nonintegration among sectors and regions.

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In particular, the decline in the production of freight railroad cars with the growing need for them on the part of the railroad in the very near future could lead to malfunction in work in almost all national economic

sectors and the growing shortage of cement and sawn timber, to a mass decline in construction.

Throughout the national economy, the dynamics of basic indicators looks as follows:

| | First Half Year of 1994 in % of First Half Year of | | Forecast 1994 in Relation to 1991 in % |
|-------------------------------------|--|------|--|
| | 1991 | 1993 | |
| Gross domestic product | 60 | 82 | 55 |
| Industry | 53 | 74 | 50 |
| Capital investments | 37 | 74 | 32 |
| Housing Construction (annual) | — | — | 45 |
| Gross agricultural product (annual) | — | — | 86 |

Simultaneously with the decline in production volumes, the tax base is narrowed. As a consequence, tax budget revenues are reduced. Evaluations show that, owing to this factor, during the second half-year the budget was short by no less than 40 percent of the total tax amount.

As we see, during the first half of 1994 crisis phenomena in the sphere of material production not only did not weaken, but, conversely, intensified. Capital investments decreased by almost one-third, which blocks every possibility of a rapid revival of the economy and makes the crisis protracted.

The fact that the slump in and curtailment of production are occurring at the highest rates in basic sectors of industry, which create competition for foreign firms on world markets, that is, electronics, electrical engineering, instrument making, aerospace and nuclear industries, shipbuilding, machine tool building, power engineering, and pipe production, causes special alarm.

In a number of these sectors, the decline in production has exceeded 60 percent. As a result, the degradation of the structure of industrial production in favor of raw material sectors has intensified, which deprives the country of efficient sources of income from export. A real threat of a loss of high-tech production units on the part of the domestic industry is created.

Calculations show that, as a result of the curtailment of industrial production, in two and a half years of reform damage estimated at no less than \$250 billion was done to the national economy, which exceeds by a factor of approximately 40 to 50 the foreign credits granted to Russia during that time.

Nor was it possible to cope with inflation. According to official data, it dropped from 18 percent in January to 5 percent in June. At the same time, however, the nature of inflation—the fact that it has been achieved not owing to stabilization and improvement in economic indicators of management, but artificially, including owing to systematic delays in wage payments and the sending of workers on indefinite leaves—is not taken into consideration. An analysis shows that systematic delays in wage payments occur at 62 percent of all the enterprises. A

total of 30 percent of the enterprises delay payments by one month, 22 percent by two months, and 10 percent of all the enterprises by three months and longer. Only 38 percent of the enterprises pay wages to their workers more or less regularly. In this case, monthly adjusted hidden inflation comprises 19 percent. In June overall inflation (the sum of open and hidden inflation) comprised 24 percent, not 5 percent, as alleged.

Taking into consideration the significant extent of the decline permitted in production and its tendency toward a further increase, as well as the significant extent of accumulated hidden inflation, it is unlikely that it could be maintained at the previous level during the second half. Suppressed, open inflation will begin to develop into open inflation.

Therefore, during the second half of the year an increase in the rates of rise in open inflation and in prices should be expected, which will be unfavorably reflected in the solvency of enterprises and will have a destabilizing effect on the economy. This could affect most perceptibly the economic relations and, accordingly, solvency of enterprises of the fuel and energy complex. I would like to draw attention to the existing pattern, according to which R1 of overdue debts in power engineering produces, throughout the chain of economic relations, an increase of up to R3 or R4 in debts in the national economy. Overdue debts in the coal industry affect the national economy with a double increase in debts. Consumers' financial debts right now represent the main deterrent to production development in this group of sectors. Thus, the share of unpaid-for products in the total volume of shipments of the fuel and energy complex comprises 38 percent.

At some enterprises it comprises more than 60 percent. Under these conditions, there can be no talk of the development of market relations.

The growing slump in production, chronic insolvency, and intensification of inflationary tendencies make the investment of funds in industry ineffective. The drain of capital from the sphere of material production intensifies more and more perceptibly. The tendency toward

the investment of funds in financial middleman operations increases, which causes a shortage of funds in the production sphere and intensifies disorder in the financial system.

Along with the noted factors, the growing money shortage has an extremely negative effect on the state of production.

As is well known, the state chose a reduction in money emission as one of the measures for the fight against inflation. At the same time, however, the scale of the slump in production and its effect on the rise in prices of goods have not been evaluated objectively.

As a result, the real ratio between the money supply and the price evaluation of goods has been disrupted, which has led to a more than triple reduction in the funds of enterprises. Today the entire national economy, in fact, is on monetary hunger rations. As one of the consequences of this, the debt load of enterprises has intensified. In particular, by June 1994 the share of overdue debts in the monthly volume of the gross domestic product increased to 93 percent.

Thus, the results of management during the first half of 1994 should be considered not very comforting. Incidentally, we would like to recall that as long ago as January 1992 the Tsenakor Center for the Study of Price and Market Conditions made a forecast of the development of the national economy according to the concept of the implemented reform, and published it in *EKONOMIKA I ZHIZN*. At that time calculations showed that, despite the statement on a quick stabilization, in time the slump in production would develop and would comprise the following: in 1992—18 percent; in 1993—17 percent; in 1994—14 percent; in 1995—10 percent. A decline of up to 30 or 35 percent in production in relation to the 1991 level with a bankruptcy of up to 60 percent of all the enterprises, that is, a complete paralysis of the economy, should be the result. The Tsenakor forecasts are proving to be correct.

At the same time, our calculations also show something else. In the country there are vast potentials for a reduction in production costs and the use of resources for the restructuring of the national economy. However, they can be efficiently activated only with state regulation of market relations, primarily through the regulation of price and financial processes. In this case, the decline in production could have already been maintained at the level of 5 percent in 1992, and 1991 targets could have been reached in 1993. Calculations also show that with the transition to the regulation of levels of prices and price proportions among sectors production expenditures will be lowered by 30 to 40 percent. As a result, inflation will be overcome fully. At the same time, budget replenishment sources will expand as a result of the reduction in production costs.

Subcommittee Chairman on Reorientation in Taxation System

944E1150A Moscow *TORGOVAYA GAZETA*
in Russian 9 Aug 94 p 4

[Article by Sergey Shatalov, director of the Center for Foreign Investment and Privatization's tax service, head of the group for the development of the Russian Federation's new tax legislation: "Law Will Help To Reduce Tax Burden: Reform—Search and Solutions"]

[Text] Of course, the tax system needs correcting, but extremely thoughtfully and carefully. Radical proposals such as "switching to a principally different way of calculating taxes" or "cutting all taxes in half" are very dangerous in their consequences. The latter proposal, if implemented, will result not only in cutting by half the revenue side of the budget. The budget loss will have to be compensated for by unsupported emission, which automatically will lead to higher prices for goods and services, which will increase even more the expense side of the budget. Thus, another inflation tax will be introduced, not written in any law, but merciless and unpredictable, which each of us will have to pay. It will become even more difficult to work.

Also of principal importance is the question of the tax legislation's stability. In some instances even not the best tax system but a stable one is preferable to the best one if it changes several times a year, as is happening here today.

Currently a new approach is popular, the substance of which is that enterprises should be placed in approximately equal conditions, and the number of tax preferences should be minimal. And that preferences should be granted not individually (to those who are able to lobby them through or buy them), but on the basis of public priorities. But tax preferences is the field where the most fierce battles are waged. And therefore a greater share of amendments to the tax legislation over the past two years have boiled down to granting more and more new preferences. The system of Russian preferences has once again become extremely complex, convoluted, and not always logically explainable. It needs a thorough cleanup. Especially keeping in mind that preferences never are "cost-free." They always come at the expense of those who do not have them. This is an obvious redistribution: Take from some and give to others. World experience shows that, having been granted tax preferences, an enterprise as a rule loses interest in reducing production costs, installing new production or launching a new product. Preferences in a way take it out of the struggle for existence. In the final count, this undermines the vital forces of the enterprise.

What tax corrections are needed in the near future? First of all, in addition to a concerted revision of tax preferences and some reduction of the federal tax on profits, we need to do the following: Resolve the issues of tax legislation and tax regulation. They are presented in the

new Constitution in the most general form and need to be filled with legislative contents. The main among them, of course, are the issues of "general principles of taxation" and of competence of different levels of authority (federal, regional, and local) in implementing these principles, as well as in establishing, changing, and repealing taxes and duties.

There is no doubt that the powers of regional and local authorities must be expanded. But to what extent? Regions should not be permitted to use either their exclusive "geopolitical" situation or special advantages such as possession of natural riches, or the existing division of labor, or other factors that would allow them to "export their taxes." The most graphic example is introducing a foreign currency operations surcharge in Moscow. In this case Moscow took advantage of the fact that most banks with the right to conduct foreign currency operations are located on its territory. Acting in a similar way, the regions—producers of oil (electric power, automobiles, etc.)—may introduce regional excise taxes on these commodities. And since the greater share of such resources (goods) are consumed outside their territory, these taxes will be paid by enterprises and population of other regions. The list of possible taxes aimed at "export" can be easily continued.

Next, we should count among the main principles the issue of regional taxation of enterprises that are registered in one region, do production in another (consuming natural and labor resources), and sell their product in still another or outside of Russia.

Finally, among the basic principles that need to be set are the rules for defining a taxpayer, the object of taxation, and the tax base. Determining enterprise profits or income tax on individuals differently in different regions should not be permitted.

In addition, we should delineate the rights, responsibilities, and the competence of tax organs, as well as the rights and responsibilities of taxpayers, and the relations between taxpayers and tax organs; clarify the procedural points that almost always are associated with the protection of taxpayers' rights. Without changing the powers of the tax organs, and in some cases even expanding them, we need to define as precisely as possible who undertakes what actions in some or other instances, especially if a dispute arises between tax organs and taxpayers.

It is also necessary:

- to give taxpayers the right to represent their interests in the tax organs either on their own, through a representative, or through an attorney;
- protect information on taxpayers collected by the tax organs. Today this information is practically unprotected, and the taxpayer is not certain that it will not become available to criminal elements, competitors, or other interested parties. Such information should be classified as confidential, and criminal prosecution should be envisaged for its disclosure or misuse by official persons;
- resolve the issues related the procedure for payment and mechanism of forcible withholding of taxes, counting overpaid or over-withheld taxes toward future payments or refunds. The amount of taxes and penalties withheld illegally by tax organs must be refunded, of course, in the shortest possible time and with interest;
- give the taxpayer the right to defer tax payment (or a tax credit) in out-of-the-ordinary circumstances, guaranteeing its receipt in instances defined by the law on very specific terms;
- repeal prepayment of taxes. Pay the actual liability to the budget monthly, or quarterly for small and joint enterprises. Remove the regulator of prepayment in the form of a credit on incorrectly paid amount of such payments;
- liquidate the tax on excessive labor remuneration built into the tax on profit, which is hard to apply considering the tremendous wage differentiation by sectors and regions (from oil industry in the Far North to kolkhoz members in non-Chernozem region) and corresponding cost of living in different regions;
- revise in the direction of reduction the size of withholdings into state nonbudget funds (pension, employment, and medical insurance).

If such decisions are made, they will result in a real reduction of the tax burden without another "tax revolution," in greater stability and predictability of tax legislation, and in greater guarantees of protection of taxpayers' rights. The work is currently under way on a new Tax Code. I think that the solutions enumerated above will be reflected in it to some or other extent.

Official Documents on Consumer Cooperatives Published

Decree on Questions of Consumer Cooperatives

944F1175A Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 4

[Decree No 24 dated 24 January 1994, Moscow, of the RF Government "Questions of RF Consumer Cooperatives"]

[Text] For the purpose of promoting the activity of RF consumer cooperatives concerning an increase in the volumes of purchases and processing of agricultural products and raw materials and improvement in the provision of the rural population with goods and services, the RF Government decrees:

1. To consider it necessary that relationships between the RF Government and the RF Central Union of Consumer

Societies beginning in 1994 are built in accordance with an agreement concluded between them annually.

The RF Ministry of Economics and the RF Ministry of Finance, with the participation of other interested ministries, departments, and representatives of the RF Central Union of Consumer Societies, within a 1-month period shall work out a draft of the indicated agreement for 1994 and submit it to the RF Government for consideration.

2. The Government Commission on Question of Credit Policy during the allocation of credit resources to the agro-industrial complex shall take into consideration the needs of consumer cooperatives for the indicated resources for the procurement, storage, and processing of agricultural products and raw materials and for the production of consumer goods and other products.

3. The RF Ministry of Economics shall include on the list of projects, the construction of which is financed with investment credits, enterprises of consumer cooperatives for the procurement, storage, and processing of agricultural products and raw materials and for the production of consumer goods and other products.

4. To recommend that the RF Central Union of Consumer Societies and organizations and enterprises of Russia's consumer cooperatives:

- develop and implement additional measures to improve the financial position of enterprises and organizations of consumer cooperatives through the expansion of all types of economic activities, improvement in the structure of management, reduction of nonproduction expenditures and losses, a more efficient use of internal and borrowed circulating capital, and attraction of the funds of members and of the serviced population;

- for the purpose of developing initiative and enterprise and increasing the interest of collectives of cooperative enterprises and organizations in expanding trade, procurement, and production activity for improving the provision of members and of the entire serviced population with goods and services, more actively carry out work on reforming the system of consumer cooperatives in accordance with RF laws "On RF Consumer Cooperatives" and "On Enterprises and Entrepreneurial Activity" and promote in every possible way the establishment in consumer cooperatives of joint-stock companies, partnerships, and other structures, making it possible to ensure a high level of management under market conditions.

5. The RF Ministry of Finance within a 1-month period shall settle accounts with enterprises and organizations of consumer cooperatives concerning compensation for the interprice difference for goods sold to owners of "harvest-90" vouchers as of 1 January 1994 and shall compensate the system of consumer cooperatives for the

losses incurred by it as a result of the implementation of the "harvest-90" program upon their confirmation by local financial bodies.

6. The RF Ministry of Nationality Affairs and Regional Policy:

- during the formation of annual volumes of work in accordance with the State Program for the Development of the Economy and Culture of Small Nations of the North in 1991-1995 approved by decree No 145 of 11 March 1991 of the RSFSR Council of Ministers shall take into consideration the need for the development of the material and technical base of consumer cooperatives in regions of the Far North and shall determine, jointly with the RF Central Union of Consumer Societies, the volumes of and procedure for the financing of the construction of their enterprises;

- during the allocation of financial resources for the delivery of goods and food to regions of the Far North shall provide for their allocation to consumer cooperatives with due regard for the population serviced by them.

7. In connection with the fact that organizations and enterprises of consumer cooperatives, owing to the acute shortage of credit resources, are forced to use the serviced population's borrowed funds, to permit organizations and enterprises of consumer cooperatives to charge the interest paid on the indicated loans to distribution and production costs in amounts not exceeding the existing prime rate of the RF Central Bank.

8. To recommend that bodies of executive power of republics within the Russian Federation, of krais, of oblasts, of cities of federal significance, of the autonomous oblast, and of autonomous okrugs build their relationships with organizations of consumer cooperatives in accordance with agreements annually concluded with them, as well as examine the following questions:

- of rendering support for consumer cooperatives with due regard for measures provided for by this decree;

- of compensating, from the local budget, enterprises and organizations of consumer cooperatives for expenditures on the delivery of necessities to rural stores located 11 km and more away from the point of their receipt;

- of fully or partially compensating, from the local budget, for the cost of procurement centers and trade and food and processing industry projects of consumer cooperatives under construction;

- of setting rates for the payment for thermal and electric power for organizations and enterprises of consumer cooperatives at the level of rates for enterprises of the agro-industrial complex;

- of fully or partially exempting organizations and enterprises of consumer cooperatives from the payment of the profit tax, the tax on motor road users, the

tax on owners of transport facilities, the tax on the purchase of motor transport facilities, and other taxes in the part entered in republican budgets of republics within the Russian Federation and budgets of national-state and administrative-territorial formations of the Russian Federation;

—during the formation of programs for support for small entrepreneurship, include enterprises of consumer cooperatives in them.

[Signed] V. Chernomyrdin, chairman of the RF Government

Agreement on Relationship Between Government, Coop Union

944F1175B Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 4

[Agreement on Relationships Between the RF Government and the RF Central Union of Consumer Societies for 1994]

[Text] In accordance with decree No 24 of 24 January 1994 of the RF Government "Problems of RF Consumer Cooperatives" and for the purpose of improving trade and everyday services for the rural population, the RF Government and the RF Central Union of Consumer Societies subsequently named the Parties agreed on the following:

1. The RF Central Union of Consumer Societies assumes the obligations to ensure through organizations and enterprises of consumer cooperatives:

- the sale of consumer goods and the rendering of services amounting to 24 trillion rubles to the serviced population;
- the purchase of agricultural products and raw materials—2.3 trillion rubles, including 230,000 tonnes of meat products; 190 million eggs; 900,000 tonnes of potatoes, fruits, and vegetables; 12 million skins; out of the indicated volumes to deliver 100,000 tonnes of potatoes and 10,000 tonnes of vegetables into the food stock for federal state needs;
- the production at its own enterprises of food products and nonfoodstuffs amounting to 3.5 trillion rubles, including 2.9 million tonnes of bread and bread and flour products; 300 million standard cans of canned products; 7 million decaliters of alcoholic beverages; 8 million decaliters of beer;
- the delivery and sale of food and nonfoodstuffs for the population of regions of the Far North, including for small nations of the North, in accordance with the approved state programs in the volumes and assortment according to the supplement;
- the development of the material and technical base of consumer cooperatives through the use of their own [funds], borrowed funds, and other financial sources;

—the delivery of products provided for by the state defense order in the established volumes.

2. The RF Government assumes the following obligations:

- to consider at the Government Commission on Problems of Credit Policy every quarter proposals by the RF Ministry of Economics, the RF Ministry of Finance, and the RF Central Union of Consumer Societies on the allocation of centralized credit resources to consumer cooperatives for the purchase of consumer goods, the procurement and processing of agricultural products, raw materials, and feed for fur, hunting, and auxiliary farms, and the purchase and production of consumer goods;
- to allocate to enterprises and organizations of consumer cooperatives, which are engaged in the centralized delivery of goods to regions of the Far North and to localities equated with them and in their storage and sale, the necessary financial resources provided for these purposes in the federal budget;
- to allocate to the RF Central Union of Consumer Societies in 1994 appropriations for the completion of the education of students trained in educational institutions of consumer cooperatives from the funds provided for these purposes in the federal budget;
- to allocate to the RF Central Union of Consumer Societies long-term investment credit amounting to 46 billion rubles for the financing of the construction of projects for the procurement and storage of agricultural products and of the processing industry, as well as other enterprises;
- to ensure the delivery of gasoline, diesel fuel, and diesel oil to enterprises and organizations of consumer cooperatives against deliveries of these products for state needs, which are allocated for the agro-industrial complex;
- to compensate enterprises and organizations of consumer cooperatives for 30 percent of the expenditures on the purchase of mineral fertilizers and chemical plant protection agents with federal budget funds;
- to examine within a 1-month period the following questions:
 - of postponing the date of payment by fur, hunting, and auxiliary farms of consumer cooperatives of the interest on centralized credits extended until 1 December 1994 and newly issued;
 - of the possibility of charging to production costs of products (work and services) the interest paid by enterprises and organizations of consumer cooperatives on centralized credits, the dates of liquidation of which have been extended by the RF Central Bank in 1993;

—of establishing a special fund for the development of consumer cooperatives with the charging of expenditures on its formation to production costs of products (work and services);

—to permit enterprises and organizations of consumer cooperatives to use, from receipts from trade, financial resources for the purchase of agricultural products and raw materials from the population for the full volume of their needs;

—to instruct the RF State Committee on the Administration of State Property, jointly with the RF Central Union of Consumer Societies, to refine the list of property of consumer cooperatives, which was alienated by the state during different periods, for its subsequent return or compensation for its cost.

3. This agreement enters into force from the moment of its signing by the Parties. Changes in the agreement can be made in consultation with the parties.

[Signed] A. Zaveryukha, for the RF Government

[Signed] V. Yermakov, for the RF Central Union of Consumer Societies

Supplement to the Agreement on Relationships Between the RF Government and the RF Central Union of Consumer Societies in 1994

List of Food and Nonfoodstuffs Delivered for Provision for the Population in Regions of the Far North

| List of Goods | Unit of measurement | Volume of Deliveries |
|------------------------------------|---------------------|----------------------|
| Foodstuffs | | |
| Meat and meat products | thous. ton. | 40 |
| Butter | thous. ton. | 7.5 |
| Eggs and egg products | mill. | 150 |
| Vegetable oil | thous. ton. | 8 |
| Margarine | thous. ton. | 6 |
| Sugar | thous. ton. | 46 |
| Flour | thous. ton. | 100 |
| Hulled and rolled products | thous. ton. | 20 |
| Macaroni products | thous. ton. | 8 |
| Nonfoodstuffs | | |
| Sewn articles | bill. rub.* | 23 |
| Knitwear | mill. items | 1.5 |
| Hosiery | mill. pairs | 2.5 |
| Leather footwear | thous. pairs | 730 |
| Felt footwear | thous. pairs | 70 |
| Refrigerators and freezers | thous. | 12 |
| Normal illuminating electric lamps | mill. | 5 |
| China and earthenware | mill. rub.* | 1,000 |

| | | |
|------------------------------|-----------------------|-----|
| Tobacco products | bill. rub.* | 13 |
| Matches | thous. standard boxes | 150 |
| School notebooks | mill. | 3.2 |
| Television sets | thous. | 30 |
| Radio receiving sets | thous. | 50 |
| Galvanic cells and batteries | mill. | 3 |
| Household soap | thous. ton. | 2.5 |
| Toilet soap | thous. ton. | 3.1 |
| Synthetic detergents | thous. ton. | 10 |

*in 1993 prices

Additional Decree on Government-Coop Union Relationship

944F1175C Moscow ROSSIYSKAYA GAZETA
in Russian 4 Aug 94 p 4

[Decree No 760 dated 2 July 1994, Moscow, of the RF Government on Realization of Some Questions of the Agreement on Relationships Between the RF Government and the RF Central Union of Consumer Societies for 1994]

[Text] The RF Government decrees:

1. To accept the proposal by the RF Central Union of Consumer Societies on charging, beginning in the second quarter of 1994, expenditures assigned to the established fund for the development of consumer cooperatives to production costs of products (work and services) in the amount of up to 6 percent of the cost of sold goods (products).

2. To agree to the proposal by the RF Ministry of Finance and the RF Central Union of Consumer Societies on the payment in 1994 of interest on centralized credits by fur, hunting, and auxiliary farms of consumer cooperatives in accordance with the procedure established by point 1 of decree No 19 dated 19 January 1994 of the RF Government "Problems of Extension of Credit for Agricultural Commodity Producers" (Collection of Documents of the RF President and the Government, 1994, No 4, Article 311).

[Signed] V. Chernomyrdin, chairman of the RF Government

U.S. Group To Help Modernize Moscow Airports
944F1307A Moscow IZVESTIYA in Russian 19 Aug 94 p 4

[Article by IZVESTIYA correspondent Igor Andreyev: "Dream Flights and Flying Through Moscow: Russian and American Experts Propose To Revive Squalid Moscow Airports"]

[Text] The Moscow air transportation hub may become a very serious factor in the Russian economy—this is the opinion shared by the domestic Airport Association

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(whose membership includes 90 percent of the airports of the former USSR) and a consortium of American companies led by the Lehman Brothers financial group, which prepared at the request of the Russian Federation Ministry of Transportation a project of a radical reconstruction of capital city airports. Vladislav Katchan, the association's commercial director, describes the conclusion reached by foreign experts, which completely coincides with our specialists' opinion.

Moscow's founders prophetically situated it in such a way that centuries later it attracts travelers, including those traveling by air. Our capital is an ideal transit point for intercontinental routes connecting Europe with the Pacific region, and North America with Asia (via the North Pole). Nevertheless, foreign airlines do not fly through us—almost: Some 90 percent of all so-called transfer passengers who changed flights in Sheremetyevo last year were Aeroflot clients. In absolute figures, the situation looks this way: Only 650,000 transit passengers passed through the capital city international airport last year—as compared, for instance, with 8.3 million who changed flights in Amsterdam's Schiphol. And on top of that, almost everyone who used the amenities of the Dutch air hub chose it consciously, having preferred it over a transfer in London, Frankfurt, or Brussels. Which makes Schiphol's owners very happy: The airlines pay the airport \$11 for each passenger who passes through it. And this is not counting the revenue from numerous duty-free shops, as well as cafes, restaurants, and boutiques, where passengers leave quite a bit of money.

Alas, it is unlikely that Western passengers, spoiled by good service, would spend money at Moscow airports, each of which, let us note in passing, already has received the status of international. I think there is no need to tell Russians about the squalid condition of Domodedovo, Vnukovo, Bykovo, and the current state of Sheremetyevo-2, which only 15 years ago shone with polish and comfort unfamiliar for us. Still, the problem, in the opinion of both domestic and American specialists, is not at all whether the terminals are luxurious or what is the number and quality of stores and public catering establishments.

We can build another palatial terminal in Sheremetyevo, bring there a company of border troops, hundreds of customs officers, and an army of service personnel—all three are obviously in short supply—but the airport can only do so much. Its flow capacity is limited by meager territorial reserves, which do not let Sheremetyevo claim the role of a major, truly international airport. For this, it will need three or four runways, where the planes taking off and landing simultaneously would not get in each other's way. Sheremetyevo today has only one truly usable runway. The second, which runs in parallel to it, can be used only as a backup—it is too close to the main runway, which makes simultaneous take-off from both runways impossible. And there is no space to build another one, which would double the air field's "capacity."

Neither will Vnukovo or Bykovo ever become a Russian Frankfurt. Bykovo is blocked from all sides by residential development. The zone for the construction of a second runway in Vnukovo (to the left of the Kiev Highway) is occupied by dacha clusters and is rapidly developing in that direction, as if it had never been zoned as an officially established area of airport right-of-way. Only Domodedovo, which has two fully operational runways and the territory to build two more, has the potential to becoming a major airport....

The Russian and American experts' conclusion: To gradually begin shifting Domodedovo into servicing the overwhelming majority of international and domestic passenger flights. Free it from cargo processing; build runways and a terminal complex; modernize the air traffic control. And since this airport is the only one in Moscow that is connected to the city with a rail track, turn the latter into a high-speed rail link.

Vnukovo, which is the closest to the capital, should be reserved for aircraft servicing the top state officials and official delegations. And as a base of light business aviation. Bykovo, in the specialists' opinion, is doomed. The flights it currently serves should be gradually transferred to other airports, and the airport itself closed. Sheremetyevo, which can handle aircraft of any size, should be reoriented toward domestic and international freight service.

If we compare the four Moscow airports to the four human extremities, it will turn out that each of them currently lives and moves by its sovereign laws, without being subordinated to the brain and the central nervous system. There is no single administration running the airports, and neither is there a common strategy for airport development, which is the only way to turn the arithmetic sum of enterprises into a qualitatively new structure—the Moscow air transportation hub. Moreover, their territories and development zones, which have ended up under the jurisdiction and in the sphere of interests of different level authorities, are seen by the latter either as a generous and inexhaustible source of taxes or as a free, ownerless space for dacha construction, for-pay car parking lots, and commercial kiosks. For instance, the Vnukovo rayon authorities authorized placement of kiosks on the square in front of the terminal despite the objections of the airport management. The Moscow Government permitted the capital city militia to set up its housekeeping warehouse in the airport production zone. I have already mentioned the dachas to the left of the Kiev Highway; let me add only that back in the era of developed socialism, the Troparevo and Solntsevo microrayons were planned and built on the land between the airport and Moscow within its old borders, which by their mere existence deprived Vnukovo of any development prospects. Which is something the airport masters apparently do not recognize, since they have announced a design competition for a large international passenger terminal. They are thinking

about new construction, I want to emphasize, in a place that no longer has the territorial, ecological, and other reserves needed for this.

Neither is the Domodedovo management in close touch with reality—which in this case actually is quite bright. Instead of leaving free territory for the terminal complex of the future superport, they almost gave permission to build a temporary British Airways terminal on it. Fortunately, the idea collapsed, but not because they had come to their senses—they simply did not agree on the terms with the British....

The implementation of the Moscow air hub project, tying Moscow airports into a single, coordinated organism, which will not be limited to air transportation, will cost billions of dollars. It is obvious that the sickly Russian budget will not be able to find even a fraction of the needed money. Neither will Western investors provide it as long as the airports keep their current status of completely sovereign enterprises undergoing privatization, without strong federal leadership.

We do not have to copy foreign countries, of course, but the entire world of aviation is skeptical about privatization of large airports and air hubs. So far, the only exceptions are the airports in London and Vienna; all others are under complete and effective control of the state. The typical forms are a state lease enterprise or a closely held joint-stock society. Irish airport business (Dublin, Shannon, and Cork Airports), for instance, is "closed" to such an extent that 100 percent of stock is held by the Air Rianta national administration.

Without going into details of the structure of joint-stock capital, the following is important to mention. No matter which organs of authority are represented in the air hub administrations, these entities are seen as economic systems of state importance, which exert a powerful influence on the economy of the country, state, county, or city. The hubs as a rule are exempt from taxes—on condition that all profits generated are invested in the airport development and related transportation infrastructure. An example: State enterprise Airport de Paris includes all terminals, air fields, and airport access roads within a 50-kilometer radius from Paris. Its governing body—the administrative council—is empowered to lease out or grant concessions to the facilities under its management, which are state property, and go on a for-fee basis into private ownership if this is necessary in the interests of the enterprise. Airport de Paris is granted broad financial autonomy, and its bonds are guaranteed by the state. The airports that are part of the hub, on the other hand, frequently have limited autonomy in decision making. Those that are part of the Washington air transportation complex are authorized to enter contracts for an amount not exceeding \$20,000.

....One would think it would be easy for us, who until recently could not even imagine a type of ownership other than that by the state, who are used to a single authority in politics and economics, to create something

like this, an entity where the current Russian sovereignties and wrongly interpreted democracy would have no place? It looks, however, that turning the sum of Moscow airports into a source of immense foreign currency earnings probably comparable to "petrodollars" will be beyond the ability of the current anemic authority, which is more concerned with collecting momentary tributes from any producer than a large-scale project for a gold-bearing but remote future....

Growing Mafia Links to Poland Detailed

944Q0550A Moscow *NOVOYE VREMYA* in Russian No 31, Aug 94 [signed to press 2 Aug 94] pp 36-37

[Article by Rudolf Boretskiy, special correspondent in Poland: "The Russian Mafia Throw Their Weight Around Beyond the Bug—Russian and Polish Mafiosi Prefer To Slap Together 'Holding Companies'"]

[Text] Already last year one of the heads of the department for the fight against organized crime of the RF Ministry of Internal Affairs [MVD] warned his Polish colleagues that the mafia structures of the former USSR would set up branches from the Bug to the Oder. And they would do so with the participation of Poles. It is hard to say what the reaction of the Polish security services was then: Such subjects are discussed unwillingly and minimally here. I have tried to raise this subject numerous times during talks with high-ranking officials of the MVD and police, and every time I hear the same answer: Yes, they say, we have noted isolated cases of cooperation between your criminals and Polish ones. But mafia as a phenomenon of organized crime, to say nothing of having connections to government structures—that we do not have.

Only now has the curtain, which was concealing a state secret or the inaction of the authorities, lifted slightly: A few articles have slipped into the press about the conference of Central European services to fight organized crime which was held not long ago near Warsaw. Here are just a few facts that have become public knowledge.

The Customs Office 'Did Not Notice'

The mafia groups of the former USSR need Poland primarily as a place to launder and legalize "dirty money." And to do this it is necessary to intrude into its banking system, which is directly linked with the European and world systems.

To open a bank account here you have to submit either a customs declaration confirming that money was imported and showing its source or document official trade-economic activities in the territory of the Polish state. This is one significant reason that our mafia has penetrated the private sector of the Polish economy: creation of joint firms, then joining them into holding companies with commingled capital. After this all trace is lost.

The source of the monetary revenue is already completely concealed: The "mixer" of the holding companies commingles them so completely that all individual traits disappear. And the result is the emergence of a convenient chain: CIS—Poland—then anywhere. But this is just in the money sphere.

A second, even more profitable and equally cleverly conceived area of mafia activity, so to speak, is the commodity-money sphere. The main objective here is to bypass the customs and tax services and other state barriers. A brand new company that is just getting on its feet usually receives very considerable benefits from the state for its brief formative stage: exemption from the turnover tax and postponement of payment of customs duties. All it takes is for such a company to pull off a big transaction then shut down, disappear, dissolve away—there is pure profit for you, and a loss for the state. Here is just one example taken from GAZETA WYBORCZEJ. The Koniks wholesale warehouse, with the help of 11 customs officers, illegally shipped a large batch of Thai clothing to Moscow. They failed to pay 74 billion zlotys (about 350,000 dollars) in customs and taxes—the customs office "did not notice" the false documents. In Moscow the goods were also sold illegally. As a result an enormous amount of profit settled into the safes of Russian-Polish criminal structures. It is obvious that such operations are only possible with the cooperation of both sides and with the help of corrupted civil servants. Those are the classical traits of the mafia.

Prostitutes from Beyond the Bug

The next sphere of mafia activity noted at the conference near Warsaw was counterfeiting money. I have given a detailed report in NOVOYE VREMYA about the dollars and marks printed in Poland for distribution in the CIS. But here is a new path: printing rubles, karbovantsy, and Belarusian "hares."

Two businessmen from Lodz filled an order from Ukrainian mafiosi by setting up conveyor production of counterfeit karbovantsy. When the Polish security service nabbed the counterfeiters they were unable to give even an approximate figure on the amount of phony money they had made: Accounts were kept in tonnes and truckloads. And the quality was so good that even Ukrainian banks could not recognize them. Eighteen months of work by the underground printing plant, as a security officer observed in GAZETA WYBORCZEJ, almost drove a neighboring state into financial ruin.

Other "small" spheres of criminal business are no longer even taken into account, it appears. In the last year there has been a doubling of the theft of autos and shipping them to Russia across the eastern border of Poland (55,000 a year), robbery and banditry on the highways—now being done not just by our "flying gangs," but together with recruited Poles—and the cruel, and universal—from Bialystok to Poznan and Wroclaw—racket run by our peddlers, in which a "Polish trace" has also been found. And our prostitution has also reached an

impressive scale: According to Polish estimates up to 1,500 prostitutes from beyond the Bug are working regularly here, guarded by their own pimps. These at-first-glance diverse spheres of crime can compose a solid reserve for recruitment of mafia volunteers, the loyal soldiers. And in the opinion of experts, everything together gives a foundation and dangerous preconditions for turning Poland into a base of operations for the far-flung mafia of Russia (and the CIS countries).

The mafia has its own strategic calculation in Poland: The territory of this country should be chiefly a place for movement to the West, a bridge for legalizing and laundering criminal money and spreading mafia influence to the world. If we add the connection the Russian mafia has already established with the international mafia (above all Italian) and recall its plans for a "cocaine invasion" of Europe, the extent of the danger becomes clear.

It is precisely these circumstances that seem to have finally drawn the Polish special services out of their complacency and spurred them to take decisive actions. Life itself pushed them this way: Of the 3,000 crimes registered last year in Poland and committed by foreigners, more than 2,000 were the work of our countrymen. Even such a local attack cannot be repulsed with separate blows. Then what can you say about the global threat of the criminal cartels? There needs to be aimed volleys against the "centers." There needs to be fundamentally new strategy and tactics.

Scientist on Security of Nuclear Material

94WP0144A Moscow ARGUMENTY I FAKTY
in Russian No 34, Aug 94 pp 1-2

[Interview with unidentified physicist by Andrey Uglanov and Andrey Neverov under the rubric "Scandal"; place and date not given: "Plutonium Tricks"]

[Text] *One could hardly imagine that a rather ordinary incident, which in the final count what the story with the plutonium confiscated from a German citizen—a passenger on the Moscow-Munich flight of the Lufthansa company—amounts to, would occupy the mind of all the highest officials in Europe and acquire a clearly political character. One gets the impression that the hoopla around this incident is playing very much into somebody's hands. But is it indeed possible to steal plutonium in Russia?*

Let us turn to an authoritative specialist-physicist. He chose not to make his name public.

[Physicist] There are three sources of possible theft of radioactive materials. These are radio-chemical combines where plutonium—the stuffing of nuclear bombs—is produced from enriched uranium.

The second theoretical source is the troops, especially those where dismantling of nuclear missiles is taking place. There is plutonium there as well.

And the third source is research institutes. Work there is done predominantly with uranium salts and its low- and medium-enriched isotopes. You cannot make a bomb out of this.

[ARGUMENTY I FAKTY] How much plutonium is enough to create a nuclear explosion?

[Physicist] Under certain conditions, 1 kg is enough. Therefore, at enterprises where it is produced, it is permitted to have only 1 kg of plutonium per work site.

A work site at a radio-chemical combine is an enclosure, a closed chamber sealed by the security department, which ensures the safekeeping of the output.

[ARGUMENTY I FAKTY] Is it possible to carry plutonium out of an enterprise?

[Physicist] You come to a sanitary check unit and undress completely. Take a shower, then put on new underwear and go into the production area. On your way you pass several military posts with sensors. If you did not wash well after working in the production area and, for instance, something got stuck to your fingers, you will be "flagged." So, at civilian facilities where plutonium is produced, it is impossible to steal it from their territory even in theory.

One can hide from human eye several grams of plutonium—in the anus, for instance—but the sensors will have no problem registering it. And then, who would want to expose his anus to radiation?

I cannot tell anything about military facilities in Ukraine and Belorussia [Belarus], where missiles with nuclear warheads are being dismantled. But it is unlikely that the officers will be stupid enough to saw off pieces of a warhead. That is suicide.

[ARGUMENTY I FAKTY] What is 1 kg of plutonium at a combine?

[Physicist] Approximately a two-liter can of porous or granulated metal.

[ARGUMENTY I FAKTY] Still, where can one steal radioactive material here in Russia?

[Physicist] Theoretically—in a research institute. In Moscow, for instance, it is the Kurchatov Institute and the "ninth"—also a Moscow research institute. In the "ninth" you will not be able to scrape up the classic 4 kg of plutonium in the entire institute. In the Kurchatov Institute it is quite possible. They have their own reactor. A year ago many outrageous things occurred there. They kept so many containers with uranium-235 in safes that the entire place could have blown up at any time. They even kept uranium-235 enriched to 36 percent there. But over the past year and a half, the secrecy and security requirements were seriously beefed up there. Today it is impossible to steal anything. The situation improved when the GAN—Russian Federal Oversight of Nuclear

and Radiation Safety—came into existence. It prompted some progress with respect to the physics of storage of nuclear materials.

[ARGUMENTY I FAKTY] Why was it dangerous to keep uranium in safes?

[Physicist] It was the way it was done. For instance, 2 kg of enriched uranium were kept in a small barrel. Another such barrel should not be placed closer than a distance of 200 mm. But they stood next to one another. If, God forbid, a fire started....

[ARGUMENTY I FAKTY] The Kurchatov Institute could have blown up?

[Physicist] Any institute.

[ARGUMENTY I FAKTY] And how many are there?

[Physicist] In Moscow alone five to seven.

[ARGUMENTY I FAKTY] That is, it was possible to steal from a research institute the enriched uranium powder?

[Physicist] As much as you wanted.

[ARGUMENTY I FAKTY] Can a terrorist make a bomb out of the powder?

[Physicist] No. This is very difficult. You have to have a nuclear reactor and accelerator. But a terrorist could contaminate a large territory with this powder. You do not have to explode anything. For instance, it would take about 10 years to decontaminate the Trade Center building in New York.

[ARGUMENTY I FAKTY] Villains with radioactive powder were intercepted in Germany. Is it possible to determine its origin?

[Physicist] Naturally. The base material always differs. For instance, we received the dioxide of uranium-238 from Ust-Kamenogorsk and Elektrostal raw material. Well, with one and the same technology, the difference in the base material was obvious.

So the methodology for determining where the material came from is simple.

[ARGUMENTY I FAKTY] Are there many laboratories working with radioactive materials?

[Physicist] A research institute has dozens of laboratories. In a lab there are several groups. And all work with uranium. But it is unlikely that someone would want today ruin his health and carry out this, generally speaking, muck. You are assured a radiation dose, as well as a prison term.

Two weeks before the incident, the German press reported on several instances of theft of plutonium from

Russian enterprises, about which our Federal Counter-intelligence Service [FCS] or the Ministry of Atomic Energy knew nothing; then "suddenly" the contraband plutonium "surfaces" in Germany, of all places. What is happening?

There is a theory that most cases involving contraband of radioactive materials are conducted by German special services through "sting" operations—with the help of decoy sellers or buyers. On one hand, their zeal is quite understandable—Germany is frightened by the specter of the Chernobyl cloud and the growing international terrorism. But on the other hand, a quite logical question arises—why could not both the buyer and the seller happen to be decoys at the same time?

It looks as if someone wanted very much for the intercepted plutonium to be of Russian origin. In this case Russia could be automatically declared unable to control its nuclear stockpile and technologies and thus forced to accept outside control—up to the point that the Arzamas-16 checkpoint would be manned by Sergeant John or Noncommissioned Officer Dietrich. Then we would have to forget about advanced technologies and state secrets in this area, since they would immediately become the property of competitor countries.

And in this case the resolve of our special services and diplomats to stop at their inception attempts to impose such controls on us is very laudable.

Especially considering that, as the research done in the Los Alamos nuclear laboratory (United States) shows, the intercepted nuclear material represents the well-known "MOX" compound, which is used in nuclear reactors in Belgium, Germany, France, and Japan, but certainly not in Russia. Moreover, according to American experts, Russia has not yet developed the technology to utilize this compound.

One can understand Western countries' concerns. After all, terrorism is flourishing; 100-story high trade centers blow up, and on top of that there are constant reminders of the "Russian mafia" in combination with the "Russian mess." To complete the picture, all one needs is a nuclear threat.... It is true that cooperation between special services of different countries is needed. And, as the FCS head, S. Stepashin, has said, Russia is ready for such cooperation. Except please do not present us as savages with the nuclear button....

Sakhalin Shelf Oil Development Highlighted

944E1139A Moscow GUDOK in Russian 13 Aug 94 p 2

[Article by V. Gvozdkov, Yuzhno-Sakhalinsk: "The Sakhalin Shelf and Its New Masters"]

[Text] The question as to who will have to develop the Sakhalin shelf in the next few years is currently, so it would seem, clear. For example, five promising fields have found their own foreign masters. The richest of them—the Lunskiy and Piltun-Astokhskiy fields—in the

course of the competition for the Sakhalin-2 project, got Sakhalin Energy, i.e., the former MMMSh [Marathon, McDermott, Mitsubishi, Mitsui, and Shell] consortium. And Odoptu, Chayvo, and the Arkutun-Dagi field, which was added to them on the basis of the rights of the "first discoverers," are being taken by the Japanese firm Sodeko and its affiliated American firm, Exxon. Recently, this duet conducted a presentation of the technical and economic feasibility calculations (TER) for the development of the aforementioned oil and gas fields.

For complete clarity, it is necessary to tell about the Sakhalin-2 project. Everything has already been prepared for the start of work on it. However, there is one snag: The Russian and foreign parties simply cannot reach an agreement on the division of the output. But as the oblast governor, Ye. Krasnoyarov, said, plans are under way in Washington to sign the agreement on this project, and it will be given the "green light." However, this year is already lost—while the specialists make the engineering calculations, winter will approach. And this is not the best time for the start of operations.

The actual start of the shelf's development may be delayed, at least until the Russian Federation [RF] parliament's adoption of two laws—one on oil and gas and the other on the division of the output. But be that as it may, all the same, the Sakhalin-2 project will begin to be carried out earlier than Sakhalin-1.

Indeed, this project was conceived long ago. The first general agreement between the USSR and the Sodeko consortium for the surveying and development of the oil and gas fields on the shelf of Sakhalin Island had been signed back in 1975. The geological prospecting operations, in which foreign floating drilling rigs participated, began the following year. The Odoptu and Chayvo fields were discovered in 1977 and 1979, respectively. In 1993, the Russian party added to them the Arkutun-Dagi oil field. This increased significantly the economic efficiency of the entire complex and, in order to strengthen its own capabilities, the Sodeko firm took as a companion Exxon, which has abundant experience in working in the shelf area of the Arctic seas.

The technical and economic feasibility calculations were produced within the time frames established by the Russian Government, over four months—from 18 December of last year through 18 April of this year.

It follows from the documents that being planned for the Chayvo gas field is the installation of one ice-resistant platform, for Odoptu—two platforms and, for Arkutun-Dagi, three platforms and eight undersea piping systems covered by a metal housing to protect them from damage from fishing trawlers. The undersea oil and gas pipelines will stretch from Odoptu to Arkutun-Dagi, then to Chayvo and on to the Nogliki Rayon settlement of Val. Their length will amount to around 400 kilometers. Val will become the project's main coastal complex. Built there will be a base and facilities for preparing the oil, gas, and condensate for cross-country piping. Oil and gas

pipelines will go from there to the south of Sakhalin. In Korsakovskiy Rayon, in the settlement of Prigorodnoye, there will be a plant for liquefaction of the natural gas, facilities for the dehydration and refining of the oil in order to prepare it for tanker shipping, storage tanks, terminals, and wharves for tanker loading. The gas and oil pipelines will extend along the existing Nogliki-Korsakov roadways and railways. The throughput of the gas pipeline is almost 19 billion cubic meters of gas a year, while that of the oil pipeline is around 26 million metric tons of oil a year.

The cross-country pipelines and all the facilities in the settlement of Prigorodnoye have been designed for joint implementation of the Sakhalin-1 and Sakhalin-2 projects. This reduces the costs for each of the parties and increases the economic efficiency of both projects. There is an arrangement between MMMSh and Sodeko-Exxon.

Blue fuel will be delivered to Sakhalin and the neighboring domestic markets, and 6 million metric tons of liquefied gas per year will go for export—to Japan, Korea, and Taiwan. Taking into account the Sakhalin-2 project, besides the Komsomolsk industrial center, other rayons of Khabarovsk Krai will also be supplied with gas, while its export volume will increase to 9 million metric tons of liquefied natural gas per year.

Also planned is the development of Sakhalin Oblast's corresponding infrastructure. First of all, there are the expansion of the ports of Korsakov, Poronaysk, and Katangli, the rebuilding of around 200 kilometers of roads and hundreds of bridges, the construction of housing for the Russian and foreign personnel, and the introduction of reliable fiber-optic communications. Constructed for the oblast will be a gas-turbine electric power plant in the settlement of Nogliki with a capacity of 200 megawatts, a power transmission line from Val to Okha, the water supply systems for Okha and Nogliki will be completely refurbished, and treatment facilities will be constructed in Nogliki. Plans have been made to implement a reliable water supply for Korsakov. The establishment and equipping of an oncological health center with 300 beds and a polyclinic in the oblast center are being planned, as well as a diagnostic center. The foreign investors have also agreed to pay Sakhalin Oblast a bonus, the amount of which will be determined during the drafting of the agreement on the division of the output. Environmental protection measures have also been planned.

And what effect will the shelf's development have on the Sakhalin Railroad? The island's mainline, undoubtedly, will also benefit from this. Indeed, first and foremost, the shipments of cargoes and passengers will increase. There should be a noticeable transformation of the Nogliki Station. The construction of a number of important projects will require a lot of various materials and equipment. And they will be delivered by the railroad. The other projects being planned for construction in the various rayons also cannot get by without the mainline.

The first oil is supposed to be produced in 2003, and gas in 2005. The raw material production peak will come by 2020. In fact, this was to be expected. And, no matter how much the foreign party claims that these deadlines do not "reek" of politics, it is difficult to believe this. After all, we know that gas will be supplied to Japan prior to 2005, and it will not need the Sakhalin fuel earlier than this deadline.

For now, the oblast's residents have to rely only on Sakhalin-2, the developers of which are promising a much faster yield, and also on the deputies who are supposed to adopt the above-mentioned laws. To put it briefly, even though there is a lot of gas in the depths of the sea bottom, no one on Sakhalin has gotten a whiff of it yet.

Problems Determining Grain, Bread Prices Detailed

944F1277A ROSSIYSKAYA GAZETA in Russian
16 Aug 94 p 3

[Article by Aleksandr Gavriluk: "Bread Is the Head of Everything if You Have a Head Yourself"]

[Text] "If there is bread, there will be song," the author of the unforgettable "Tselina" [Virgin Soil] loved to say. Judging by everything, there will be bread this year, but it appears that it will be without song. According to the assessments of experts, of the agrarian committee of the State Duma, for example, the price of a loaf of bread will be R1,517 and will approach that of chocolate.

Who Is To Blame?

It would seem that the answer to the classic question lies on the surface. Of course, the farmers and agrarian lobby are the ones who are demanding a doubling of purchase prices for grain in comparison with last year, and hence there will be an increase in the cost of bread in the stores, especially since Aleksandr Zaveryukha, deputy chairman of the government, declared unequivocally that this year the government will not intervene in the determination of the purchase price of grain. Whatever agreement the regional authorities reach with the farmers, that is what will be.

And after the first conference was held in Rostov, there were similar conferences in Omsk, Samara, and Belgorod, where producers and buyers of grain negotiated directly on the price for grain. The only thing that the Ministry of Agriculture and Food did was that on the basis of calculations it prepared a preliminary report, in which it named hypothetical figures.

It was these figures that heated up passions, but nevertheless the purchase price for grain was set in the area of R200-R220 per kilogram, depending on the crop and its grade. Is that a lot or little?

Specialists calculated how much bread would cost if farmers turned over their grain at no cost at all. It turns

out that it is R1,317. The result is that the farmer's share in the price of bread is only 20 percent. And this is not surprising: The value-added tax is applied twice—the first time when the grain goes to the mill and the second time when they bake the bread, plus a trade surcharge, equaling R334.

Still, what will be the purchase price for grain? Leonid Cheshinskiy, president of the Roskhlboproduct corporation, answered plainly: "We will pay R222 per kilogram for Grade III wheat, which is most common here. And we will do this in accordance with a government decree, which, in turn, was oriented toward the price worked out at the regional conferences." It would seem that the subject is closed, especially since Minister of Agriculture and Food Viktor Khlystun acknowledged, although with reservations, that this price objectively conforms to the economic situation in the country.

But the fact is that whereas this price will be final for the farmer, this certainly does not mean that it will cost the state the same sum. And here is the reason. To the designated price will be added a value-added tax, a special tax set by the president on all kinds of produce, and expenditures for storage at the grain elevator. And this means that a kilogram of Grade III wheat will cost the state R295. And then its transport, say, from the south of Russia to Moscow will add another R55,000 per tonne, and R70,000 to St. Petersburg. The result is that the state will have grain for R360,000 per tonne—\$180 at today's rate of exchange. But in the Far East, for example, where the grain is imported because it cannot be brought across the entire country, it is delivered at \$109 per tonne. It turns out that our grain costs the state significantly more than imported grain. It is cheaper to bring it in.

What Is To Be Done?

Nothing needs to be invented here, but one must only do what is done in all countries without exception that have a high level of grain production. There they have two prices: One is internal, and the other is the market price. The internal price is higher than the market price and is supported by the state. Otherwise, the country is doomed to eternal food dependency. So that the question of what is more advantageous—to buy grain beyond the ocean and thereby to support American, Australian, and Canadian farmers or to develop our own production—is by no means such a rhetorical question and remains a pressing one.

"Otherwise we will definitively destroy animal husbandry as well. Last month we produced only 1 million tonnes of mixed feeds, whereas previously we produced 38 million tonnes a year," said Leonid Cheshinskiy. "If the situation is not corrected at once, then the price will rise not only for bread but also for meat products, and mixed feeds will become impossibly costly."

In short, if the government does not intervene quickly in the process of price formation, then the regions will do

this themselves. And it is not difficult to suppose how. They will simply cease to buy expensive grain from their farmers and mixed feeds from Roskhlboproduct and will buy cheaper imports.

Viktor Khlystun is convinced that the state needs to act on those sore points of the economy where the system of relations between the commodity producer, the processor, and the consumer arises. It is precisely for this reason that a draft law "On the State Regulation and Functioning of the Agrarian Industrial Complex" is being introduced in the State Duma.

For the time being, it is quiet at the elevators, and the farmers are not bringing in their grain. And, as Leonid Cheshinskiy admits, there is no money for its procurement. The R400 billion that were allocated to Roskhlboproduct are not resolving anything. The grain lies on the threshing floors under the open sky. And God forbid that the heat should be replaced by rainy weather any time soon, for so much grain would then be lost.

Current State of Fuel, Power Industry Surveyed

944F1241A Moscow SEGODNYA in Russian 9 Aug 94
p 11

[Article attributed to INTERFAX: "The Fuel-Energy Complex Is Not Attracting Investors—The Country's Most Profitable Economic Sector Suffers From a Shortage of Capital"]

[Text]

The Volume of Capital Investment in Sectors of the Fuel-Energy Complex Has Decreased by One-Third

The volume of capital investment in Fuel-Energy Complex [FEC] sectors decreased by 37 percent in the first half of 1994, as compared to the same period of 1993. This is shown by an analysis of the investment activity of the Russian Federation Ministry of Fuel and Energy [Mintopenergo] done by ministry specialists.

The greatest drop in capital construction is occurring in petroleum-gas construction (37 percent), the petroleum industry (50 percent), and electrical energy (34 percent) organizations.

In the opinion of Mintopenergo specialists, the primary reason for unsatisfactory investment in FEC sectors is the acute shortage of the enterprises' own capital because of the drop in production volume and the nonpayment crisis at a time when financing of capital construction from the federal budget has almost completely stopped. The share of state centralized capital investment in FEC sectors in 1988 (the best in terms of investment results) was 74 percent of the total volume, while in 1993 it had dropped to 55 percent, and it is declining even further in the present year. At the same time, overdue creditor indebtedness in capital construction for organizations of the complex exceeded R1.1 trillion rubles on 1 May of this year.

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About 90 percent of the total volume of investment in the FEC is money appropriated by the state to carry out the federal Fuel and Energy program. But of the R3.7 trillion needed in 1994 to carry out this program, the Ministry of Economics appropriated only R0.8 trillion. The proportion of centralized capital investment directed to the development of the FEC in the total volume of state investment in the Russian economy dropped from 9.2 percent in 1993 to 8.3 percent in 1994. At the same time, the FEC still provides a significant part of Russian export (60 percent) and foreign currency revenues to the budget (40 percent).

Specialists at Mintopenergo note that if the present situation with financing of the complex continues, the following shortfalls will occur: 6,000 kilometers of gas pipeline (90 percent of the planned amount) will not be put into operation, and 25 compressor plants (more than 80 percent) on gas pipelines, nine oil-treatment installations (more than 80 percent), about 1,900 oil wells (more than 25 percent), 2.2 million kilowatts of electrical generating capacities (more than 60 percent), 1.5 million tonnes of coal extraction capacities (more than 40 percent), and a significant number of housing and social sphere projects will not be built or put to use. This will require many billions of additional capital to preserve various construction sites and solve the social problems involved in this. As a result, Mintopenergo people believe that there will be a sharp drop in the production of fuel-energy resources in Russia already in 1994-1995.

The condition of the petroleum-gas construction complex causes Mintopenergo experts special concern. In 1993 the number of persons employed in petroleum-gas construction was scarcely one-quarter of the number in 1988, while the volume of construction and installation work had decreased to two-fifths of the former level. In the opinion of specialists, it will not be possible to restore lost capacities in less than five to seven years.

According to the statement of the Mintopenergo representatives who made the analysis of investment activity in the first half of 1994, "the first stage of privatization that was conducted in the country did not have a significant impact on the development of investment processes in the fuel-energy complex."

The Investment Banks Are Waiting for State Assistance

A number of major Russian banks which have significant parts of their portfolios invested in enterprises of the FEC demanded that the government create conditions to attract investment to the sector. They worked out a package of proposals to stimulate long-term capital investment by lowering the tax rate on profit and subsidizing interest rates from the federal budget.

Thus, in the opinion of Vladislav Sudakov, chairman of the board of the International Moscow Bank [MMB] (45.6 percent of the total amount of credit agreements signed by the bank in 1993—\$42.1 million—were for petroleum extraction and refining enterprises), to

improve the investment climate in the sector it is essential to ease the tax burden on real investors who put their capital into FEC enterprises. In particular, MMB specialists believe that there could be discussion of lowering taxation of income from these operations, for example to 10-15 percent.

The impact from the proposed measure, bank specialists believe, will be two-sided: Banks will not only "turn their faces toward" enterprises of the sector, but because of objective circumstances they will be able to make the conditions of the credit being granted more attractive.

In addition, in the opinion of the MMB management, the state should change the direction of subsidies to stimulate commercial banks. The banks are demanding institution of a system of state subsidization of interest rates, which would make it possible to compensate the commercial banks for the difference between the preferred and market levels, while spending considerably less state money on this as compared to budget financing.

At the present time, the principal sources of credit for enterprises and associations of the Russian FEC are the World and European Banks of Reconstruction and Development (MBRD, EBRD) plus capital granted to certain enterprises by huge world export-import banks under state guarantees.

At the same time, according to the statement of Aleksey Matveyev, member of the board of TOKObank, a minimum of \$100 million is needed just to finance a project to open up a new deposit, and this is with repayment terms of not less than five years.

Russian commercial banks are not capable of mobilizing such amounts for such a term at the present time. Moreover, by order of the Central Bank, which strictly regulates the granting of credit to the amount of the bank's charter capital, they do not have the right to take such a credit risk.

According to Aleksey Matveyev, TOKObank, which now has the largest amount of charter capital among the commercial banks, can realistically finance a project up to \$20 million. In exceptional cases there could be discussion of the amount of \$40 million-\$50 million, but this is the actual credit limit.

Mintopenergo Also Wants To Be an Investor

The Russian Federation Ministry of Fuel and Energy has come forward with a proposal to create an industrial investment association (PIO TEK) and a specialized FEC development bank (TEKbank) within the framework of the fuel-energy complex.

The PIO TEK, in the concept of the project developers, must ensure "coordination of investment policy with the master plan of development of Russia's production

forces" and also work on developing comprehensive federal and territorial sectoral programs and monitoring their performance.

According to the Mintopenergo proposals, the PIO TEK should include interested organizations on a voluntary basis regardless of their form of ownership. On the supervisory council of the PIO TEK, state interests are represented by Mintopenergo, the Ministry of Economics, the Ministry of Finance, and the Central Bank. Investment support is carried on by a group of domestic and foreign commercial investors, including banks and insurance companies. The production structures that belong to the association should, in the concept of the project developers, receive favorable conditions for cooperation and an opportunity to sell their output through the most beneficial channels.

To support the activities of the PIO TEK, Mintopenergo proposed creating a specialized development bank (TEKbank). The bank will conduct centralized credits and resources from nonbudget funds of the FEC, having significant tax advantages in this. Among the proposed functions of the TEKbank is regulating monetary circulation and credit activity by sectors of the complex, attracting the resources of international financial institutions, and organizing the investment process in FEC sectors. In the opinion of Mintopenergo specialists, the bank will be able to give a solid guarantee to foreign capital investment in view of its semiofficial status.

Moreover, it is proposed to assign TEKbank to regulate and monitor monetary circulation in sectors of the fuel-energy complex and even to give it the functions of clearing house for the Russian FEC. In this form, the Mintopenergo people believe, the bank will be able to monitor the balance of payments of the FEC and introduce new forms of settlement promptly, such as mutual payment between enterprises by notes and checks.

October Railroad Railcar Operations Examined

944E1126B Moscow GUDOK in Russian 11 Aug 94 p 2

[Interview with I. Glukhov, chief of the Railcars Main Administration of the Ministry of Railways, by GUDOK correspondent V. Yurasov in Petrozavodsk; date not given: "The Depot Is Operating Profitably"]

[Text] I do not think it is accidental that railcar specialists have come to Petrozavodsk, on the October Railroad, for advanced experience. In 1991 a new structure for repairing and preparing freight cars made its appearance on the mainline—an independent, unsubsidized, specialized production association (Dor. VK). By no longer being subordinate to and dependent on the railroad divisions, the railcar depots joined it as independent cost-accounting enterprises. This gave them the opportunity, without any prompting, to specialize in types of repair operations and to concentrate their material-technical and financial resources on the performance

of production and social tasks. The enterprises' economy is now determined directly by the services rendered, principally various kinds of railcar repair, as well as work to prepare them for loading and maintenance during operation. This has forced them not only to perform their customary work with the very best quality, but to begin new work. Such as restoring the "heavy" railcars, for example.

The demands made on all employees have increased sharply. Since last year, in order to increase the responsibility of railcar inspectors, special service logs in which all remarks are entered have been introduced to keep a record of their work. Now they have gone further: Warning tickets have been introduced for the inspectors. For example, if they have checked a railcar which is overdue for repair, this fact will be reflected in the logbook. If there is an accumulation of such oversights, a ticket will be issued, a signal that you will be subjected to material and administrative measures.

Railcar workers of the Petrozavodsk Depot and its branch in Sortavala have mastered repair operations that are new for them—welding the seams of wheel pair flanges and drilling them afterward, making doors for boxcars, overall preventive maintenance of automatic brakes, and so forth. This has enabled them to make about 6 billion rubles [R] in profit in just six months.

Self-confidence and stability in their work—qualities you cannot always show in figures, but which are noticed by everyone who makes use of their services and which attract customers—have become apparent in the work of the October Railroad's railcar workers.

When the system's school was in operation, I managed to talk with I. Glukhov, chief of the Ministry of Railways Railcars Main Administration, on several occasions.

[Yurasov] Ivan Andreyevich, do you think the structural model adopted by the October Railroad's railcar workers should be introduced on other railroads as well?

[Glukhov] At one time, in considering the proposal by October Railroad managers to establish an independent Dor. VK, the ministry's collegium made the decision to implement it as an experiment. And practice demonstrated that it was very successful: All the railcar depots are operating at a profit. While the profit balance for railcar workers as a whole has been raised this year by 139 percent, it has been raised by 264 percent in the Dor. VK. The output of consumer goods has been increased by 238 percent and earnings for public services have risen by 661 percent. Now this means operating independently!

With regard to those railcar services that decide to follow the October Railroad's example, the Ministry of Railways and the main administration will not put obstacles in their way. As far as I know, railcar workers on the Kuybyshev, Southeastern, and East Siberian railroads are preparing for such a step. But for those managers

who prefer to operate in the old way, I would recommend that they study the experience of the October Railroad more closely: Those units with greater independence are earning more and operating with more stability under the economic conditions that have taken shape.

[Yurasov] The October Railroad's railcar workers have begun repairing the so-called "heavy" railcars for restoration. And that is good. Another factor is a source of concern: There is more and more such rolling stock every year. Will something be changed in the near future?

[Glukhov] Unfortunately, it has proved to very difficult to add to the fleet of railcars under the economic conditions today. For example, this year our main administration acquired only 4,000 new freight cars. For this reason, the problem of restoring the "heavy" cars is still pressing. We have to keep in mind that thousands of railcars that should be written off are operating in the railroad system today. This is the task we are confronted with: eliminating such rolling stock from the system gradually, by 1996. Especially as the need for it has decreased substantially because of the reduced transport volume.

[Yurasov] But the railcar fleet is pooled. It has no owners to bear full responsibility for its technical condition.

[Glukhov] And this problem will be resolved. For a start, we will determine the owners of specialized rolling stock—the motor vehicle transports, the mineral carriers, the apatite carriers. They will be assigned to specific railroads. Motor vehicles, let us say, will be assigned to the Gorkiy, Kuybyshev, and Moscow Railroads, and the apatite and mineral carriers will be assigned to the October Railroad.

[Yurasov] But if a railcar assigned to the October or Moscow Railroads breaks down somewhere in the Urals, let us say...

[Glukhov] The solution is simple: Conclude a contract with the local depots, pay for the repair, and the railcar will come to you by rail in good condition. The Dor. VK of the October Railroad, by the way, has also become a pioneer in the introduction of electronic equipment which follows the movements of the railcar fleet in the railroad's territory. This year an information computer center will be put into operation in our main administration as well. All the data on the railcars in operation and being repaired will be transferred there.

The school that has been under way demonstrated that while work with initiative and a break from banality has always been valued, we simply cannot survive without this now.

RF Railroad Chiefs Meet in Chelyabinsk

944E1126A Moscow GUDOK in Russian 11 Aug 94 p 1

[Report by GUDOK special correspondents V. Mikushin and V. Chistov: "The Assembly of Railroad Chiefs"]

[Text] The Sixth Assembly of Russian Federation Railroad Chiefs is under way in Chelyabinsk. The main question being considered is "On solving problems in railroad operations in order to reinforce the sector's financial and economic position in the 1994-1995 period." K. Salatov, Russian Federation deputy minister of railways, is taking part in the assembly's work.

Mainline railroad managers are sharing their experience under the conditions of developing a market economy and discussing questions related to technical improvement of the railroads, increasing traffic safety, and financing the sector from various sources.

In familiarizing themselves with the operation of the South Urals Railroad, those attending gave a favorable assessment of the railroad's work in developing its lines, organizing close contacts with its clients, and improving the social protection of its workers. In particular, K. Salatov and other speakers emphasized that the experience of the South Urals Railroad in stepping up the pace of housing construction and maintaining social, cultural, and everyday facilities is worthy of attention and dissemination. Participants in the assembly are visiting the Mayak Production Association in Chelyabinsk-65, where the technology for vitrification and subsequent burial of nuclear waste is being applied for the first time in world practice. In Magnitogorsk, they will familiarize themselves with operation of the local metallurgical combine and calibrating plant, which are filling a large volume of orders for the railroads. In Zlatoust, the railroad chiefs will visit the exhibition of heavy track equipment being manufactured on the South Urals railroad and a mobile operating complex for eye microsurgery.

The assembly's work plan includes a visit to the subsidiary agricultural plot of the Zlatoust Division and the Yelanchik Cultural and Sanitation Complex near Chelyabinsk.

The railroad chiefs are devoting particular attention to the sector's current problems, which they will have to discuss at an expanded collegium of the Russian Federation Ministry of Railways on 17 August.

Railway Tariff Issues, Border Crossing Points Examined

944E1139B Moscow GUDOK in Russian 13 Aug 94 p 2

[Interview with Boris Nikolayevich Baranov, chief of the Transport Main Administration's Operational Work Standardization and Analysis Department, by V. Chibisov; place and date not given: "By a Roundabout Path"]

[Text] The Ministry of Railways Transport Main Administration has planned for 23-24 August a network conference in Perm on the automation of the technology for organizing railcar traffic and on the development of tariff

guidelines on the basis of this technology. Our interlocutor is B. Baranov, chief of the main administration's Operational Work Standardization and Analysis Department.

[Chibisov] Boris Nikolayevich, the wording of the conference's theme looks somewhat abstruse for the reader. If it is translated from the professional jargon to everyday language, then the essence....

[Baranov] It consists in the fact that, with the formation of sovereign states on the territory of the former Union, the appearance of new borders, customs, a different system of calculations for shipments, general structural changes in the economy and so on—changes are being made in the plans for forming and routing the railcar traffic both on Russia's network of railroads and on those of the CIS countries. Transport cannot help but take into account all these changes. Even now, we are operating in unison with the countries of the near abroad a plan for the formation of railcar traffic. We are currently working it out for next year. The upcoming conference has been called upon to coordinate all aspects of this matter and to work out a common approach. The railroads do have the experience (not necessarily advanced).

[Chibisov] In what do the changes become apparent?

[Baranov] Well, for example, many of the junctions that previously existed with the railroads of the near abroad are being closed. Thus, 16 crossings used to connect Russia with Ukraine—now there are only four. The reason is in the fact that the freight traffic is decreasing, little-used lines are being closed, and the railcar traffic is traveling over the higher-capacity routes such as the electrified one through the Khutor Mikhaylovskiy station. In addition, the Ukrainian railroads are shipping more and more freight by electric trains because of the shortage of diesel fuel. We have to take this into account as well. And certain stations and sections are being closed on the Russian railroads—this means it is also necessary to redistribute the railcar traffic.

We add to this the presence of customs and the increase in the cost of the passage of freight across the territory of the other countries. For example, previously, the shortest path for freight from the North Caucasus to the October mainline was via the Ukrainian railroads. But now, it is necessary to pay a quite high tariff for this. Therefore, we are sending the railcar traffic from the south over the Russian railroads, bypassing Ukraine. Although the distance is greater, a shipment costs less. In other words, we are trying to ship the freight via the minimum number of states.

The basis of everything, of course, is the economizing of operating expenditures. In the plan for the formation of this year's railcar traffic, we have "shifted" a significant portion of the trains to the electrified routes. We have abolished 93 network destinations and consolidated 25 into the large routes. As a result, the savings amounted to around R24 billion.

[Chibisov] At first glance, laying out new routes for railcar traffic is not complicated. But they still need to be figured out, and all the pros and cons need to be weighed.

[Baranov] Of course. This is why, among the conference's participants, in addition to those who directly handle the shipments, there are workers from the Ministry of Railways Main Computer Center, scientists and electronic equipment specialists. Indeed, the adopted technology for the organization of railcar traffic is the basis for the tariff guidelines. We will try to free the goods cashier from complicated calculations for the shipments and to automate his work with the help of computers. The computer will issue the needed information: the distance to the necessary station, the cost and delivery terms, and so on. In addition, on the formed railcar routes, we will equip each station with tables of calculations of the tariff distance against the standard freight delivery period. So that the goods cashier will have all this at hand and will be able to serve the freight shipper quickly. It is all the more important that we shift to the use of the international system (SMTS) for shipments, the registration of documents, and so on.

The conference will examine all the matters associated with the timely and economically profitable delivery of freight under the current conditions. We will let the readers know the results.

Collegium on Stabilizing Railway Performance, New Goals

944E1149A Moscow GUDOK in Russian 18 Aug 94
pp 1-2

[Article: "For the Purpose of Stabilization"]

[Text] The expanded session of the Russian Federation Ministry of Railways Collegium was held yesterday. Measures for further stabilization of railroad transport work and the development of economic reforms in the second half of 1994 were considered. O. Moshenko, first deputy minister of Railways, gave a report on this subject. (GUDOK is publishing an account of the report in today's issue).

In opening the session, G. Fadeyev, minister of Railways, said that the main task was to introduce corrections in the sector's strategy, worked out at the end of last year, in consideration of the economic situation in the sector.

He emphasized the importance of a number of the problems to which the collegium should pay particular attention: preparing for winter, the training of the economists, working with personnel, and others. At the same time, G. Fadeyev noted that all the sector's problems should be considered within the context of its continuous ties with the entire national economic complex, and not from a narrowly departmental standpoint.

The minister evaluated the recent Assembly of Railroad Chiefs, and reproved some of the directors for their attempts to transfer their duties to others.

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In dwelling on tariff policy questions, the minister noted that the MPS has decided not to index tariffs in August, counting on the allied sectors to do the same. He reported that the heads of a number of administrations (particularly the Kemerovo), and the directors of the timber sector had already expressed their support of this decision.

The minister spoke with particular pain of the recent tragedy on the Southeastern Railroad and of the train collision on the North Caucasus Railroad. The sector's critical, urgent problem is to provide a guarantee of traffic safety and a major solution to the problems of organizing passenger transport.

The next day, the collegium's work was devoted to the problems of track repair. The participants in the session went out to the Moscow-Tver section of the October Railroad to familiarize themselves with the track-repair work complex, with deep cleaning of the ballast and the use of resource-saving technology.

A report of the collegium session will be printed in one of the coming issues.

O. Moshenko's Speech

A detailed assessment of the general economic situation in Russia was given at the expanded session of the Federal Government on 15 July, the course of reform and state of the Russian people's standard of living was carefully analyzed, and the prospects for the Russian economy up to the end of 1994 were determined.

Despite the critical financial-economic situation in the country, which is as a whole continuing, stable trends toward economic stabilization have appeared in Russia. To develop these trends, the requirements are being considerably intensified for railroad transport, on which the work of all the sectors in the country's economy and satisfaction of the people's mass demand for transport in many ways depend.

The results of the sector's work have clearly proved that retaining state management of railroad transport on the whole ensures the fulfillment of the sector's basic tasks.

The planned work of the Russian MPS Collegium has made it possible to determine the sector's technical strategy for all the basic services, to outline the comprehensive programs of action, and, the main task of the railroads—to ensure that they are carried out.

At the same time, both economic and production-technical problems remain, and appear every day. Revealing these problems, designating the way to solve them and drawing attention to unutilized reserves—this is the task we are placing before the expanded session of the Collegium.

The period that has passed did not change the trends in operations activity. The amounts of transport work are being reduced. Whereas last year the reduction of freight loading was 19.5 percent, this year it is 24 percent. The increase in passenger transport noted last year (112

percent as compared with the seven months of 1992), has not been developed (87.1 percent). Moreover, while in January the gap between last year and this was 2.7 percent, in July it increased to 18 percent. Passenger departures dropped most substantially on the Gorkiy (29 percent), Krasnoyarsk (22 percent) and Northern (18 percent) railroads.

While there was a splash in passenger transport in 1993, there has been a steady reduction in freight operations: 1992—12.7 percent, 1993—20.1 percent, and this year—almost 24 percent. Although it should be noted that the rates of reduction in freight shipping, beginning in April, already for the fifth month, are fluctuating within a range of 24-25 percent, i.e., their level is virtually stable. In all, for the seven months, 621.3 million tonnes of freight were loaded, or 193 million tonnes less than last year.

I shall dwell in greater detail on the state of affairs in the sector.

First. The program of action for the MPS, the railroads and other railroad transport enterprises, to develop reforms and strengthen the sector's financial-economic situation in 1994-1995 is being fulfilled and is yielding perceptible results.

The section speed has risen by 1.3 kilometers an hour, railcar turnaround has been accelerated by a quarter-day, and the average daily locomotive run has been increased by 1.3 kilometers. The number of workers has been cut back by almost 87,000 people, as compared with December 1993.

Some 3,950 electric locomotives and 1,230 diesel locomotives have been put in the ministry's reserve, including 916 electric locomotives and 444 diesel locomotives this year. Some 81,000 freight cars which have worked out their service life have been taken out of circulation. Some 103 stations and 5 low-activity sections have been shut down, 313 shunting locomotives have been cut, and 4 road divisions combined.

The total saving in operating expenses from putting the Program into effect are in the order of 280 billion rubles [R] in the first half-year, with an estimate of R458 billion for the year.

Traffic Safety

On a number of railroads, even under the conditions of the sizable drop in transport, the safety situation has not only failed to stabilize, it has even worsened. There have been 21 freight train wrecks, and 2 wrecks and accidents with passenger trains on the road network this year. In 16 cases, passenger train rolling stock was derailed. The recurrence of particularly dangerous safety violations, the consequences of which verged on wrecks and accidents, was permitted. The sector suffered losses totaling over R5 billion from wrecks and accidents alone, and 360 cars were damaged, some so badly that they had to

be eliminated from the inventory. The most terrible thing is that the death of human beings was permitted.

The intolerable situation with respect to ensuring traffic safety has become possible only because many railroad and road division directors are keen on administration and give up constant work with people, and are not at their work places, and the main thing, train traffic safety inspectors do not ensure the proper monitoring of the actual fulfillment of regulations, instructions and official duties.

Russia's railroad network is on the eve of putting into force the new PTE [Rules for Technical Operation] and instructions for signalization, train traffic and shunting operations (from 1 October 1994). The time remaining must be used to the utmost to raise the level of knowledge of the railroad workers involved in train traffic.

Right now there is every possibility of freeing ourselves of the inveterate violators who do not want to carry out the laws on safety. The commanders and workers of the inspector-instructor staff have time to increase efficiency in carrying out preventive measures. This work should be headed by the top directors of the railroads and road divisions.

Our poor workmanship and shortcomings reveal themselves most urgently under winter conditions.

Right now, the services' preparation for winter should be in full swing. Checks made show, however, that the railroads and main administrations have not set the right tone for this large job.

All the fixed capital of the services in the sector needs the most attentive treatment. First and foremost, this means the track services, where over 30 percent of the rails put through above-norm tonnage, the number of unfit wooden ties has reached 27 percent, and 13 percent of the railway subgrade is subject to various types of deformation.

Twenty percent of the electric locomotives, 24 percent of the mainline diesel locomotives, 35 percent of the electric trains, 23 percent of the tank cars and over 10 percent of the passenger cars in the inventoried fleet are operating with an expired service life.

We cannot expect from the budget the investments appropriate for up-dating the fixed capital. This means that we must earn our own funds. And this means—on the one hand, transport volume and tariffs, and on the other hand—a cutback in expenditures.

The main thing is to intensify the quality of the maintenance and repair of the fixed capital. We are far from having solved everything here.

Repair work on the man-made structures on the Transbaykal and West Siberian railroads is going particularly badly. They are letting us know here that it is not only from lack of the necessary funds, but also because of organizational shortcomings.

In order to create a reliable system, ensuring the readiness of the services and stable operations from the railroads in the winter of 1994-1995, the directors of the MPS administrations and the railroads must take forceful action to eliminate the shortcomings and to complete all the necessary pre-winter work.

The level of passenger service quality has no less influence on the result of the sector's work.

While today it can be said that we have coped with the volumes of summer passenger transport, there is no improvement in its quality. The minister, in opening the collegium today, spoke sharply about this.

Second. The resolutions of the December collegium specified changes in the sector's tariff policy and the corresponding structural reforms of the organs of administration. With a view to this, the Economics and Development Administration has set up a Department of Tariff Policy and Prices, and has combined the Currency-Tariff Committee and the International Transport Agency into a single subdivision. The Legal Department has been transformed into a Legal Administration, and the Organization Department—into the Registry and Property of Enterprises Administration. The corresponding work has also begun on the roads (Moscow, Gorkiy and North Caucasus). A Financial-Industrial Company and a Transport-Dispatch Subdivision have been created in the Freight Administration and on the roads.

A work group has been set up which determines the specific conditions for a flexible tariff policy for compensation transactions with major consignors, with a view to increasing the real incomes of the railroads and reducing the debtor indebtedness.

Third. We have succeeded in defending our position in the preparation of a group of documents on reform of state enterprises. We started from the basic principle—ensuring stable work on the basis of combining the centralized administration of railroad transport with the economic and operating independence of the railroads and other enterprises of the sector. The Edict on the basic points of the program of privatization after 1 July 1994, passed by Russian President Boris Yeltsin, confirmed the ban on privatizing railroads and their becoming joint-stock companies.

We now find common views with Goskomimushchestvo on such a basic question as the right to manage the property of the enterprises. For example, while in accordance with the legislation in force, the right to conclude contracts on transferring full economic jurisdiction and operations administration of the sector's property was granted to Goskomimushchestvo and its agencies at the sites, the draft of a government decree on granting this right to both the Ministry of Railways and the railroads is now at the approval stage.

Fourth. Work is continuing on preparation and approval of the draft of the Law on Federal Railroad Transport.

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which also has points on granting the MPS additional rights on management and administration of federal state property. Many problems related to a considerable limitation of the sector's rights have now been successfully solved, with the approval of the draft of the Law on Natural Monopolies.

Fifth. The Russian Federation Government, in accordance with the material submitted by the Russian MPS in the draft of the Russian Federation Law "On Introducing Amendments and Additions into the Russian Federation Law 'On the Customs Tariff,'" included proposals establishing favorable customs rates when the railroads transport freight needed by the railroads.

Sixth. The two years of MPS work to lower land taxes have been crowned with success. On 9 August the President signed the Law "On Introducing Amendments and Additions into the RSFSR Law 'On Payment for Land,'" which, in particular, specified levying tax on land located on the right-of-way, from railroad transport enterprises, institutions and organizations, in an amount of up to 25 percent of the rates of land tax for the economically significant land of the administrative rayon.

Seventh. The drawing up and approval by 22 ministries and departments of the draft of the Regulations of Russian Federation Railroads has been completed.

The Regulations will be approved after the passage of the Law on Railroad Transport, which is to regulate these questions.

Eighth. The MPS will carry out work aimed at improving price-setting for the products of railroad transport industrial enterprises, with the goal of working out a unified system. Both the railroads and the plants, however, are being very slow in finding the optimal decisions on price-formation, particularly for locomotive repair.

Today the economic work of the structural industrial subdivisions should not amount only to solving the problems of paying wages and reducing debtor indebtedness. It should be aimed at following a unified economic policy, on the basis of the special features of the sector, which will ultimately make it possible to stabilize the work of the plants.

Financial Results

In the second quarter, the network made up for and compensated for the unprofitable results of the sector's work in the first quarter. As a result, according to the 7-month results, we obtained R11.9 trillion in transport revenues. Of this sum, 44 percent (R5.1 trillion) was obtained in live money, 37 percent (R4.5 trillion) in mutual offsets, and the rest went into debtor indebtedness (19 percent).

According to the results of the first half-year, the railroads provided a profitability of 12.6 percent, and

allowing for the results expected in July, transport profitability will be 16.2 percent.

Revenues

Many railroads do not have an objective approach to questions of financial planning, and overstate the planned amounts of operating expenses. The saving of expenditures, as against the plan for the half-year, was R625 billion, or 6.8 percent, and by individual railroads was 8-13 percent.

Profits from subsidiary-ancillary activity overfulfilled the plan by a factor of almost 1.7.

Many railroads, before the start of the planned period, were oriented toward losses or low profitability, and not to stepped-up work to stabilize their financial position, and as a result, because of profit added and not actually obtained in "live money," the illusion of prosperity is created. World experience shows that, under the conditions of a market economy, planning is the main lever for managing the production-economic activity of enterprises. Work on improving the sector's financial situation must begin with a rise in the level of planning and the adoption of stepped-up plans, so that they may mobilize the workers' efforts to stabilize the financial situation of railroad transport.

Settlements for Transport

On 1 August 1994, the total debtor indebtedness for transport was R3.2 trillion. The clients' debts for transport accrue by R100 billion in every ten-day period. Although in July the rates of this dropped somewhat, all this is the result of inadequate work done with the clientele for complete and prompt exacting of carriage charges.

At the same time, some consignors have debts which considerably exceed the wage fund for the railroad workers. This is particularly true of the loading railroads.

The situation is the same on the transit roads, for which it is extremely necessary to exact from the clients in full the debt for transport, and not just to rely on the loading roads.

Because of the debtor indebtedness, this year, from each tonne of freight transported, on the whole for the network, we failed to obtain R8,200 of receipts, or 16 percent of the cost of their transport.

Russian Federation Government Order No 1285-r of 5 August 1994 formed an operations commission, under O. Soskovets, chairman, on questions of eliminating the reasons for the non-payment crisis.

G. Fadeyev, minister of Railways, by Directive No 105u, of 9 August 1994, formed a similar commission on the central staff of the MPS, under the direction of the first deputy minister, and on the roads and divisions—under the direction of the top officials.

The maximum boundaries for reducing debtor indebtedness were determined: reduce the rates of its increase in August, stabilize the amount of it in September and reduce the indebtedness—beginning in October.

Calculations show: in order to pay wages promptly, settle with the budget and extra-budgetary funds for social support, pay the accounts for material and power resources supplied, and other expenses (moreover, half of the payment is made in "live" money, and the other half—by offsets), the railroads need to have R1.6 trillion in "live" money in their accounts, which is 73 percent of our receipts. The roads' failure to get receipts in "live" money is in the order of R600 billion a month. The debts to the budget are therefore particularly growing, and we are forced to draw in credit.

The policy of the railroads' "granting credit" to state and commercial structures has led to the considerable insolvency of the enterprises and organizations of the sector. The creditor indebtedness of the railroads was R5.0 trillion on 1 August.

The problem of full exacting of carriage charges and reducing debtor indebtedness should be solved through concluding contracts with the clients. The work on concluding contracts, however, is not being done satisfactorily.

It must be said that the work should not be limited only to concluding contracts. The consignors must urgently fulfill their contractual obligations with respect to volumes and payment for transport. The initiative to stabilize tariffs, with the possibility of extending it, depending on the extent to which debtor indebtedness is cleared off, gives new prospects of a solution to this problem, however.

One of the successful methods of doing this work is to offset mutual indebtedness. Since the beginning of the year, mutual offsets amounting to a total of almost R4.5 trillion have been carried out. We have not, however, been able to obtain more than 30 percent by offsets. We should increase the receipt of real money to revive the solvency of the railroads and the enterprises. The most successful form of payment relations with allied sectors lies in price agreements on a compensation basis and agreement on reciprocal supply.

The MPS concluded a major agreement of this order, amounting to R50 billion, with the coal workers and power engineering workers of the Far East. A general agreement is now being signed between the MPS, Roskommetallurgiya and the Ministry of Fuel and Energy on stabilizing prices for reciprocally supplied goods.

The principle worked out, that of not transferring railcars because of non-payment, is already obsolete. We must work with the clients!

Regulation of Settlements

In accordance with the Edict of the Russian Federation president of 23 May, No 1005, the railroads are to start

putting into effect measures to ensure settlement-payment discipline in the national economy.

The roads must substantially activate their work on formalizing fixed-term liability for the debtors for freight transport, as specified by the Edict. Commercial banks must be drawn into this work. Special emphasis in this must be placed on clearing off the debts to the railroads in the shortest possible time. We already have experience in promissory note settlement with the coal workers, and this work is also being set up on individual railroads (North Caucasus).

The measures specified by the president's Edict should be comprehensive, and should be accompanied by the continuation of the work recently begun to present chronic debtors with demands to clear off their debts, within the period established, on the basis of the Law on the Insolvency (Bankruptcy) of Enterprises.

On Freight Transport Paid in Currency

The strategy of the Russian railroads and the MPS on foreign economic activity was worked out and approved at a collegium, with the participation of all the railroads, one-and-a-half years ago. It was determined that this activity was to be headed by a Supervisory Council on International Transport, which would include all road chiefs. The embodiment of this strategy has been created, and now the optimal system has been put into action: the working body in the MPS is the Currency-Tariff Committee and Freight Agent Network, including abroad. The railroads are the direct representatives of this system at the sites, without middlemen.

The system was created for the convenience of the client who, having concluded a contract with the Currency-Tariff Committee, or on behalf of it with the director of any railroad, gains the possibility of carrying out transport on all the roads of Russia and the CIS.

The results of the work show the efficiency of the system created: for example, in the seven months of 1994, \$153.7 million were obtained from freight and passenger transport in international and interstate service—more than in the entire preceding year.

The ministry has met the desires of the railroads halfway. The currency receipts are now being pre-distributed to the roads, in the form of advance financing.

One cannot help but note that they sometimes attach no importance to this transport at the sites. A considerable number of transport documents that are poorly filled out come to the Zheldorraschet Center.

Finpromtrans

A company, founded by the railroads, was set up to solve the problems of overcoming the non-payment crisis in the sector and reduce debtor indebtedness for transport.

In the not quite three months of its existence, the Company has prepared a number of contracts for a

considerable reduction in the debtor indebtedness of the enterprises of the fuel-energy complex.

In particular, the work programs are ready, and a number of contracts have been signed, with the participation of the Kemerovo Railroad, the Kuzbass coal workers and the metallurgists, on cutting down the debt of the latter to the railroad workers. Similar contracts with the Vorkuta miners and the metallurgists are in the signing stage.

Contracts totaling R90 billion have been concluded for the recovery of debts, and for prepayment of additional charges for transport, totaling R120 billion.

The Banking System

Of the 19 railroads, only the Baykal-Amur has not founded a bank to serve it.

The founding roads invested over R4 billion in the charter funds of the banks. Bank branches serving the road's Administration were set up on 41 road divisions. There are plans to set up bank branches on 11 more divisions and at 13 major railroad junctions. One can virtually speak, therefore, of the development of a banking network to serve railroad transport.

The task is set—to legalize this formation organizationally. For example, create a banking union. A joint meeting of the railroads and the banks is planned for September on the North Caucasus Railroad, and the decision must be made there.

In addition, we should consider the possibility of the railroad banks setting up joint funds to extend credit, particularly to the clients for settlement for transport, and investment funds, and also of their studying the question of the advisability of issuing railroad promissory notes, on a guarantee of payment from the roads and their banks.

Financing Capital Investments

We are experiencing serious difficulty this year in financing capital investments, both from the budget and from the MPS investment fund.

Of the R510 billion specified by the republic's budget for 1994, only R84 billion has been received since the beginning of the year (or 16.5 percent of the total for the year). At the same time, of the R360 billion needed for extremely important construction projects for production purposes, only R51 billion (14.2 percent) has been directed to us.

Things are no better with the payment for passenger rolling stock, for the purchase of which the financing limit this year was determined as R145 billion, but only R32 billion have been allotted. The debt to the Demikhovskiy Machine Building Plant is also sizable—R4.4 billion.

The amount of the investment fund was determined as a total of R1,325 billion, of which R286 billion should go to the railroads to solve the problems of building facilities for all-network purposes, R77 billion—to fulfill the assignments of the State Program for Increasing Traffic Safety in Railroad Transport, R821 billion—to purchase rolling stock, and R139 billion—to finance capital investments of all-network significance for Zheldorrem-mash, Vagonremmash, etc.

In all, in the first half-year of 1994, capital investments amounting to R215 billion were financed through the investment fund, which is 20.7 percent of the limit for the year. Considering, therefore, that financing from the budget and the investment fund, according to predictions, will not exceed 60 percent, work with the Ministry of Finance must be intensified, receipts to the investment funds increased through "live" money, and the planned volume of construction be defined more precisely.

Public health, national education and culture institutions are not financed on time or in full. With the plan for three quarters of 1994 being R612.5 billion, the sector's budgetary institutions, according to conditions on 1 August, had financed only a sum of R379 billion, including R42 billion through clearing off delay a sum of R379 billion, including R42 billion.

MPS medical institutions are joining a system of compulsory insurance having rights equal to those of territorial public health institutions.

Each road division has been permitted to set up a branch of the territorial fund for compulsory medical insurance, with all the rights established for the territories.

In addition, financing from the Federal budget is maintained for the MPS public health institutions.

Proposals for Further Economic Reform in Railroad Transport, for the Purpose of Efficient Work under New Conditions

An analysis of the financial-economic situation in railroad transport makes clear the urgency of the problems that have accumulated. There must be substantiation of new, radical measures, which will maintain the sector's vitality at this crucial stage and make it possible to establish reliable, strong positions for the near future, up to 1997.

At the present stage of railroad transport functioning, there must be new economic principles of organizing operations. For example, we should have a firm idea of our attitude toward the weight of a train. The main goal today should be, not increasing throughput capacities, but reducing expenses for transport.

The sector's economy today does not pay enough attention to variable expenses. We must get down to work, in conformance with the plan, on cutting expenditures which do not depend on the transport volume, the

amount of which, with the transport slump, is already over 70 percent of all the expenditures.

One of the main directions for this is to concentrate repair work through consolidating and combining depots and plants.

In the first place, the question of concentration should begin with combining the depots into unified production complexes, particularly at major railroad junctions.

Closely related to the preceding problem is the need to make more precise the volumes of repair and to optimize between-repair mileage.

Intra-sectorial competition among the enterprises can be a very strong catalyst for lowering transport expenses. This competition, through lowering the production costs of railroad transport, will make it possible to win out over motor vehicle transport under market conditions and to retain the railroads' position with respect to river shipping companies.

The practical basis for the development of intra-sectorial competition is the considerable, up to several-fold, difference in the production cost of work at the enterprises of a single service, even within the limits of the same road. Economists must work out a mechanism which makes possible free choice of a repair base for the repair of allocated locomotives, and measures which limit the freight car repair volume for depots which, all conditions being equal, have higher costs. It makes sense to think about a new approach to organizing internal competition in passenger service, too. In this case, a struggle will begin for the level of service quality, not only of the elite—named trains, but also for all the allocated ones, in order to attract the passenger—after all, the choice will be up to him.

To achieve these tasks, there must be a group of promising developments, worthy of inclusion in the program for work up to 1997. First of all, the legal questions should be studied.

The question of eliminating unprofitable forms of activity is closely connected with the problem of costs. The practical experience of foreign railroads shows that unprofitable forms of activity should be singled out from the profitable forms. Otherwise, there will be a loss of motivation for successful commercial activity for the railroads which count only on covering all the expenses from centralized sources.

Singling out these forms of activity on separate balance-sheets will make it possible to reveal the true economic results and more efficiently seek ways to improve them.

In this matter, the problem of utilizing low-activity lines remains extremely difficult. This refers to lines with a total extent of 7,500 kilometers. Questions of closing or changing the status of low-activity lines require special state permission. The draft of a government document on this question, based on civil legislation, must be prepared.

Refrigerator cars are among the unprofitable forms of transport. Cardinal measures must therefore be taken to improve the management of the refrigerator fleet.

Contractual tariffs (a list of services rendered by the railroads to consignors and consignees) have been transformed, in a number of cases, from a source of revenue to an obvious hindrance, which pushes a freight owner away from the railroad. It is a question of the so-called contractual tariffs for above-plan and extra-plan transport, as well as for operations which have already been included in the tariff price list.

Revenues for the granting of above-plan railcars occupy 20 percent of the total revenue from contractual tariffs. They appeared under the conditions of a fleet shortage. The supply of empty cars now exceeds the demand.

On the other hand, it is justified to pose the question that the payment for fulfillment of an urgent order should be somewhat higher than for planned or contractual transport. Because of this, we are approaching the need to put the differentiation, on this basis, of the network tariff level on solid ground, i.e., while maintaining the average level, payment for planned transport should be lower than that for urgent shipments.

The list of additional services rendered by the roads on a payment basis must be revised.

Market conditions of work, in principle, necessitate a certain simplification of intra-economic ties, with the elimination of superfluous economic and financial barriers. Proposals must be worked out to improve the judicial, legal, economic and financial mutual relations within the sector which ensure the most productive work for transport. Specific studies are being made on the Gorkiy Railroad.

It is expedient for the roads to continue work on organizing marketing structures on the basis of the existing economic, financial and commercial departments and planning departments.

The role of marketing subdivisions should be considerably increased and become the commanding one. The task of the operations workers should consist of executing the orders that they have accepted, at the lowest costs.

These subdivisions should have specialists on tariffs, contract law and the main thing—the economics of the production sectors. The appropriate target-oriented training of personnel for new vocations is also required for this purpose.

Reforming the statistics system and carrying out special inspections are important for a practical transition to marketing methods of transport management. Statistics should be reoriented toward economics.

A program should also be worked out, in the shortest time possible, to improve automated sector control systems, to analyze and manage the operations and financial-economic activity of the railroads under the new economic conditions.

The subject matter of scientific research work must be analyzed, and after concentrating the scientific forces on the problems which will give the greatest economic return under today's conditions, a basis must be created for the equipment and technology of the future, at the same time singling out the problems of resource-saving technology.

The Principles of Organizing the Financial Result of the Railroads

The profit obtained by the railroads has not actually been received in their current accounts, since the consignors' debt for transport is over R8 trillion.

Despite this, the roads must invest in the budget, from the accounted profit, in the order of R550 billion in "live" money, while actually not having the monetary funds in their accounts to do this.

This situation is forming because the railroads' revenues from transport are formed on the basis of freight transport documents, regardless of the actual payments made, i.e., they are actually only the right to obtain revenues.

In 1992, the MPS posed the roads the question of a change in the procedure for forming revenues from transport, in which only the receipts actually obtained would be taken into consideration.

None of the railroads (except the October) supported this proposal. They gave as their reason the fact that they would become unprofitable, because of which they would lose the sources of financing for the social programs, particularly, housing construction, and also the financing of the losses from housing and municipal services. One could not, of course, help but take this into consideration. At present, with unprofitable financial results, the position of the railroads is even more greatly exacerbated, i.e., the existing normative acts specify stiffer measures with respect to unprofitable enterprises: forbidding banks to issue funds to pay wages, the transition of the enterprises to the category of Treasury property, declaration of bankruptcy, etc. On the other hand, this system reflects the actual situation in the sector's economy and considerably strengthens the motives for combating debtor indebtedness.

Considering the fact that the directors of some roads (Northern, October) are again raising the question of establishing a procedure for forming revenues with allowance for debtor indebtedness, instructions must be given to study this by the time of the December Collegium, since this question has a number of negative consequences, along with its favorable points.

The Personnel Policy

The difficult economic situation requires the formation of a strong, up-to-date personnel policy in the sector. In turn, the drop in the transport volume objectively requires that the contingent be adjusted in accordance

with the volume of work being fulfilled. In the seven months, about 75,000 people have been released in transport alone.

We should retain control of this process within the framework of the employment program adopted, dismissing, in the first place, those who violate discipline and lazy people, and holding on, at any price, to the qualified personnel that the sector needs. The result is a partial one. In the first half-year, the network cut a number of absentees, and personnel turnover dropped from 8.3 to 7.9 percent.

In this difficult, transitional time, we should not only place the commanders who are capable of working in key positions, but also teach them the devices and methods for working under the new conditions. This problem must be solved completely, on today's level, through the network of our educational institutions.

The tasks have therefore been set for the second half of 1994:

Stabilize the transport volume, without permitting a drop of over 24 percent of the 1993 level in the freight shipping volumes.

Ensure the repair of fixed technical capital in accordance with the corrected assignments of the Program, making up for the lagging behind permitted in the first half-year.

Ensure a cut in operating expenses of at least R300 billion, including a cut through full volume fulfillment of the assignments of the Program with respect to qualitative indicators for use of rolling stock, retiring superfluous rolling stock, strictest economy of fuel-energy and material-technical resources, indexing wages in strict accordance with the Tariff Agreement, cutting out unproductive expenditures, including those for delay in delivering freight and non-safeguarded transport, and bringing the contingent into accordance with the work volume performed.

Re-establish the solvency of the enterprises.

Ensure train traffic safety.

Work out new approaches to perfect the economic mechanism for intensification of reform.

REGIONAL AFFAIRS

Bashkortostan President on Reform, Treaty With Russia

944F1302A Moscow *SEGODNYA* in Russian 12 Aug 94
p 10

[Interview with M. G. Rakhimov, president of Bashkiria, by Yelena Tregubova, under rubric "Corridors of

Power," on "Opinions" page: "Muraza Rakhimov: It Is the Republics That Form the Federation, Rather Than the Krays and Oblasts") "

[Text]

[Tregubova] Murtaza Gubaydullovich, Bashkiria is the third republic within the makeup of Russia that, in addition to the Federative Treaty, has managed to get certain special relations with the center...

[Rakhimov] Actually, we did prove to be third... Although we had an understanding with Boris Nikolayevich Yeltsin that, after Tatarstan, we would sign immediately. He even requested, "First I have to decide things with Tataria, because there is a complicated situation there." I completely understand Boris Nikolayevich and I told him at that time that since Tataria had not signed the Federative Treaty, they ought to sign a bilateral treaty as soon as possible, and we could wait.

[Tregubova] Were you supposed to have been the first to sign?

[Rakhimov] Even before that, we had signed a general Federative Treaty. If Bashkiria had not signed it, then, of course, we would have viewed this differently. And the fact that Kabardino-Balkaria had signed a treaty with Moscow before us proved for me, for example, to be completely unexpected. Because prior to that it had not concluded even a single intergovernmental agreement! But Bashkiria had signed a number of agreements and had been conducting negotiations for almost three years. But I also perceived that correctly: if it was necessary, then it was necessary. I do not see any insult or humiliation here... There are leaders in the Russian Federation who see things more clearly. As for the other republics, so far as I know, similar documents are being prepared for Komi, Yakutia, and others.

[Tregubova] In your opinion, can the krays and oblasts lay claims to similar rights?

[Rakhimov] I feel that if we actually want to have a truly federative state, Russia must sign bilateral treaties with all the republics forming the Federation. Because it is not the krays and oblasts that form the Federation. The Federation is made up of the republics, the national-state formations. I think that by the autumn all the republics will sign such treaties. As for the krays and oblasts... Why, for example, can't Sverdlovsk Oblast sign an agreement with Moscow? It is an economically powerful area. That oblast should assume certain definite powers, and should give others to the center. So, in principle, I do not see anything bad here either if treaties are signed with all the krays and oblasts.

But sometimes there are those among us who want to make the republics, oblasts, and krays completely equal politically. That cannot be allowed. Economically they must all be identical. No one should have any special privileges. But there are questions that arise, for example, in Bashkiria and Tatarstan, that do not arise in

the oblasts. In Sverdlovsk Oblast, for example, the nationality question does not arise. There is a Russian population there, and Russian schools. But we have several nationalities—Bashkirs, Chuvash, and Tatars. The republics have definite peculiarities, and it is necessary to recognize them. Sometimes people say that the republics do not want to stay with Russia. But no one is going to go anywhere! We have lived here, and we want to keep living here. Where are we supposed to go? To the moon?

[Tregubova] What share of taxes will remain here in the republic and what share will be transferred to the federal center after the signing of the treaty?

[Rakhimov] We have come to an understanding that we will transfer the same taxes that the oblasts and krays do. The amount that we are supposed to. It is another question if something is linked with ecological problems... We do not ask for any special terms. We ask only for the fulfillment of those federal programs that have been called upon to resolve these problems. Many people say about us, "They don't pay their taxes!" We pay all of them. But we have assumed the responsibility of paying wages to state enterprises and to institutions of higher learning, to which Moscow has recently not been giving any money. And we are obliged to do that, because they are our people, our population. The money that is used for these purposes must not go to Moscow, but must stay right here, locally, so that that mechanism will not be so long and there will not be any delays in getting paid. Because we have large enterprises that are of tremendous importance for Russia as a whole. We must also maintain them. We are no longer a state that does not pay wages. Foreigners come here and they are surprised. They just cannot understand what credit at 200-percent interest is.

[Tregubova] Do you intend to carry out in Bashkiria the same reforms that the federal government is currently carrying out throughout Russia?

[Rakhimov] We occupy the same economic space. Therefore we cannot carry them out. It is another question that we do not have that complete privatization of the Chubays type. Because once there is a state, there must also be a state share! Previously there was a state, but currently we are transferring property to other structures. There must be an evolutionary approach, but not the one that we have currently.

We were with Boris Nikolayevich in China. We traveled around and looked at everything... Everything was calm and normal there, without any jerky or erratic situations. That is the kind of approach we should have. What do we have in Russia? Is our mentality worse than in foreign countries? It is tragic that very large enterprises are closing down today. We are losing personnel who took years to train... But for us, of course, even China is no example. We must have our own Russian path.

Boris Nikolayevich promulgated an edict on licenses and quotas for petroleum. Then he immediately canceled

everything. I think that it is not simply that he canceled it, but it was because some kind of lobby exists. Today we have plenty of butter and meat in the republic, but Leningrad, Moscow, and various other cities are buying these products abroad. Are our meat products really worse? Drop into any store here and you will find everything. Even our sausages are better—they are real ones!

[Tregubova] Speaking about stores, in previous years people from the provinces used to drive to Moscow to get their food products. But today your stores have almost the same selection of food products that you can find in the capital...

[Rakhimov] That is absolutely correct. We have the food products: we did not take the path of breaking up the kolkhozes and sovkhoses. I agree that the kolkhozes and sovkhoses have perhaps outlived their time, but everything has to be done gradually. So we authorized individual farmers to exist. We now have 4300 individual farmers. We turned over almost 10,000 hectares to them. But we have not yet had any return, as such, from them... But most people do not want to become farmers. Because everything is expensive. And it is necessary to keep hustling there from morning to night, to keep working. Certain people say, "Let's give them land." But not everyone will take it.

[Tregubova] Do I understand, then, that you link the current abundance of products in the stores and the lack of waiting lines with the fact that the kolkhozes and sovkhoses were not destroyed?

[Rakhimov] Yes. But within the kolkhozes we authorized changing the interrelationships. Nowadays they are not even called kolkhozes. But the fact of the matter is that today a third of the people living in rural areas are retirees. Who will show any concern for them? Or do you think that the individual farmer will resolve the social problems? Because it is necessary to have a head in order to assign all the retirees to work on farms! Also, another third is made up of the intellectual class—they need a kindergarten, a day-care center, hospitals, schools, etc. And who will lay the roads to them? Who will bring in gas lines? Who will bring in water? But there are also excellent kolkhozes that are operating in an exceptional manner. Everything depends on who is in charge of the kolkhoz. Everything depends on the boss... But I am not saying that this is the best form. Yes, the sovkhoses and kolkhozes also have their shortcomings. A milkmaid has to get up at 5 o'clock in the morning and does not get to bed until late at night, and she earns 40,000-50,000. But we cannot simply heave a sigh and throw everything away!

[Tregubova] Your desire to preserve the kolkhozes and sovkhoses evokes a rather large number of reproaches aimed at you by the Bashkir democrats. Could you please tell me whether the idea of private ownership, or the idea of the free buying and selling of the land, is in general acceptable for you?

[Rakhimov] The democrats... I do not know what you have in mind by the word "democrats." Here the word "democrats" implies; "DemRossiya" [Russian Democratic Party]. In Ufa, out of a population of 1,110,000, there proved to be only 30 of them. And they are all demagogues! They keep trying to cover themselves by saying, "We're democrats..." I repeat that I am not against reforms. I am in favor of reforms. I am categorically against buying and selling, against speculating in land. This is a delicate, touchy question, and you have to take an intellectual approach to it. You have to understand that people even had to go to war sometimes to keep their land. Therefore, when people say, "Let's sell it," I am against that. It is another thing to transfer ownership of it. If people work, let them use it. It is our wealth! Why should someone speculate with this matter? Also, not everyone can work today as an individual farmer. It is basically in the Baltic that people have always lived on their individual farms. But in Russia there has always been a completely different way of life. And also in foreign countries, where I have also visited frequently and made inquiries. There too not everything is completely the way it is described here. Various kinds of collectives are also created there. And small combines and mini-tractors are still being produced there. But we have only the Don combine, which today costs almost a hundred million. And there is no repair and maintenance service that would enable the individual farmers to operate normally... Although, of course, certain farmers are already actually working in such a way that they are getting a return. So if, say, I have an individual farmer working excellently in a certain rayon, I even tell the administration chief, "Help him!" In Salavatskiy Rayon five or six families—practically speaking, individual farmers—also live together on a small farm. Here too I say, "Help them!" Our administration chiefs take an understanding attitude to this question. Therefore, if anyone says that we are strongly opposed, I completely disagree.

There is something else—the psychological factor. Because we have a kind of hatred for one another. If a neighbor builds himself a house, others will burn it down! And it is necessary to take this into consideration. Therefore there is no need to rush to replace the kolkhozes by individual farmers. Without destroying everything, but, instead, by moving very gradually, perhaps, we will indeed divide the land.

[Tregubova] The main street in Ufa bears the name of Lenin, and Kommunisticheskaya Ulitsa and Sotsialisticheskaya Ulitsa run into it. To what extent does this correspond to the mood of the republic's leadership?

[Rakhimov] Our deputies have also raised that question. But I am categorically opposed to engaging in renaming things today. That represents large expenditures, and it was our history! But today people are already saying that Ulitsa Gorkogo should be renamed. In Moscow Gavriil Popov has prospered on this score. Gavriil Popov is also a true Russian, the father of the Russian nation! I feel

sorry for the Russians. They want to rename Pushkin. What's the matter? Isn't Pushkin a Russian?

[Tregubova] No, we haven't changed the name of Ploshchad Pushkina...

[Rakhimov] Well, Gorkiy was also an author. A proletarian author! He was an author and will always be one! But nowadays people are looking for sins in everyone... Incidentally, this same kind of wave also began here, but now it has already stopped.

[Tregubova] Murtaza Gubaydulloev, people are talking a lot about the fact that your recent act of removing Kopsov from the position of premier was definitely not linked with the proclaimed fight against corruption, but had certain political reasons. How would you comment on that?

[Rakhimov] For some reason, if we remove three or four Bashkirs, everything is absolutely quiet, as though they do not even exist. But Kopsov was removed, and immediately people say, "It's because he is a Russian." It irks me, or even insults me. What difference does it make whether he is a Russian or a non-Russian? There was just one reason—he was corrupt. If you are the chairman of the Council of Ministers, you have to be absolutely pure. But if a person has two dachas... Let him have them, and even build a third one, but with his own money! Why should that be at government expense? So we are currently verifying the situation—and it turns out that all this money belonged to the state. So how can the prime minister fight corruption if he himself is caught with his hand in the cookie jar? When I spoke to him, I asked him, "Anatoliy Yakovlevich, how can you accept a salary of a hundred million?" He told me, "What do you mean? I don't understand you!" If complete permissiveness exists today, then does that mean that people can steal? That is, he already has the mind-set that it is impossible to be in the same team with him and fight corruption. But how is it possible after this to accuse me because there were certain other questions there, or how is it possible to give a nationality nuance to this, by saying that I had removed a Russian? During the entire existence of the Soviet authority, our chairman of the Council of Ministers was never a Russian. I myself insisted that we have a Russian, Kopsov. And I insist today that the next prime minister should also be a Russian.

Do people really think that I am against allowing the Council of Ministers to have normal apartments? But for some reason, after the building was constructed, everyone moved in—the chairman of the Council of Ministers, the deputies, the ministers. I told them, if only for appearance's sake, let two workers move in! Don't they have any problems?

[Tregubova] Who will be getting these apartments now?

[Rakhimov] We will certainly redistribute them... But we are certainly not planning to withdraw the vouchers from

everyone... We'll look them over. We have vouchers for journalists and performing artists. Why should they have them? I'm building a dacha too. This is the fourth year I've been building it, with my own money. It's a nice-sized one: ten by ten [meters]. But it certainly isn't anything like the mansions that certain people are building for themselves.

[Tregubova] Could you tell me which of the Moscow politicians is closest to you in temperament? With whom in Moscow is it easier for you to get along with?

[Rakhimov] I feel that the only person with whom I can speak openly is Boris Nikolayevich. If it were not for his strong will, the treaty between Bashkiria and Moscow would not have been signed. He has drive, strong will, and responsibility. Another person, of course, is Viktor Vasilyevich Ilyushin, the president's aide. Those are two people with whom I can work well. In the government I also find a common language with Viktor Stepanovich Chernomyrdin and with Soskovets. I am struck by something else: in the government it is easier to talk to the prime minister and his deputies than with ministers. Previously, in the large state, you would drop by to see Ryzhkov, a decision would be made instantaneously, and the next day it would be implemented. But today you cannot get a telephone call through on VCh [high-frequency communication] or even by special communications. You make a call through the ATS-1 [automatic telephone system] to a minister, and his secretary says, "No, you cannot talk to him." And they say that to me, the president! I can only imagine what it must be like for everyone else, all the poor people, trying to get someone on the line. It is easier to make a call to Viktor Stepanovich Chernomyrdin and to come to an understanding with him. And this is also possible with his deputies—Soskovets, Shakhrai, Yarov, and Chubays. Generally speaking, it is always possible to get in touch with Zaveryukha. As far as the ministers are concerned, that has never been the case. The minister himself should pick up the receiver, rather than his secretary, most of the times that you call! I mentioned that idea also to Boris Nikolayevich. We used to get several calls a week from the government. Now there is not a single telephone call. It is as though there are no republics, krais, or oblasts in Russia. It is as though Russia consists only of Moscow.

The state has been cut in half, but the number of officials has doubled or tripled. Sometimes I feel sorry for Boris Nikolayevich because he says one thing, but those around him, of course, do not implement it. We always tell him, "Boris Nikolayevich, if everyone acted the way you do, there would be fewer problems." Apparently they are attempting to keep him in an information vacuum. But he trusts the people who report to him. Many people certainly act as though everything is fine and there are no problems. But a leader needs to be given the correct information in order to make the correct decision!

[Tregubova] Are you satisfied with your own apparatus?

[Rakhimov] It is a complicated matter to force your apparatus to operate efficiently. After all, it is an apparatus that is left over from the old *nomenklatura*. When they are here with me, they say one thing, but when they walk out of the door, they do everything their own way, and they completely misrepresent what you have said. It is very complicated to work here. When I used to work at a plant, if I said something, that was that! I came here and first they said, "Okay, we'll do it." Later on, nothing would be done, and they would say, "Well, we began thinking differently about it."

[Tregubova] Why didn't you fire them?

[Rakhimov] You can't fire everyone. Also, there was no reason to fire them: after all, a large number of excellent people used to work in the party also. Moreover, it is necessary to take the human factor into consideration. Previously, for example, the people who used to work as third secretaries were, as a rule, women. And previously a woman used to devote herself entirely to the party. But now there isn't any party or, it turns out, any husband. There are a lot of people like this...

[Tregubova] Today, factually speaking, Mikhail Gorbachev, the former president of the Soviet Union, has begun his election campaign. Would you support his candidacy if he decided to take part in a presidential election?

[Rakhimov] Yes, he came here recently. No one will support him. In any case, the regional chiefs certainly will not. He must be an intelligent person. Why should he get involved in politics again? He did not have any meetings with me when he came here—his mother-in-law lives here. Incidentally, she lives in the same building that I do, and even in the section of the building. But I never saw him even once, because I leave the house every morning at 7:30 and do not get home until 10 or 11. Raisa Maksimovna graduated from high school here.

Gorbachev came here, established contacts, and gave interviews. He had an especially unusual meeting with the students at the air university. The auditorium was full, but the guys really began bombarding him with questions! Now they are small, sharp ones. I feel that the best thing for him to do now is to spend his old age with Raisa Maksimovna. He found support only at first, especially among the young people, when he began the reforms. But that was not the kind of reform he should have carried out. Was it really mandatory to reduce the economy to such a tragic state, and then to begin to do something? Unfortunately, those around him apparently misled him also. I just do not understand—Yakovlev, Shevardnadze, yesterday, as members of the Politburo, they would reprimand me, but now they have taken a 180-degree turn and have become democrats. But things do not happen that way. For example, Boris Nikolayevich used to fight, and fight openly. He demonstrated his bravery. Tossing away your party membership card at a party congress is something that not

everyone can do. But, as for Yakovlev and the others, are they really that kind of person? To take an example, and once again to take it from Yeltsin, he dared to speak out against the tremendous force of the party, against the Politburo! But that old team, finally, can no longer change.

[Tregubova] Murtaza Gubaydullovich, you chose for this interview a time that is not completely customary—8 o'clock in the morning...

[Rakhimov] I am always working by 8 o'clock. I get here at 7:40. Yesterday I left somewhere around 11 o'clock. I'm here on Saturdays, and also on Sundays. In recent years I have worked as a plant director, chief engineer, chief technologist, and chief chemist. When I came here, they paid me compensation for seven years—it has been that long since I have had a vacation.

[Biographical note] Murtaza Gubaydullovich Rakhimov was born in 1934 in a peasant family. By education he is an engineer-technologist. He has had a career that is typical of many economic managers: he began as an operator at a petroleum refinery; graduated from a correspondence institute; was a unit chief, chief chemist, and chief engineer. In 1986-1990 he was the director of one of the largest petroleum refineries in Ufa. In 1989 he was elected deputy to the USSR Supreme Soviet; a year later he became Chairman of the Supreme Soviet of Bashkiria. In December 1993, after solidly winning the election, he became the first president of Bashkiria. Simultaneously he was elected member of the Russian parliament's Council of the Federation.

Tatarstan, Abkhazia Sign Friendship Treaty

944F1305A Kazan RESPUBLIKA TATARSTAN
in Russian 18 Aug 94 p 1

[Report by Ye. Taran: "Prospects of Interaction"]

[Text] Mintimer Shaymiyev, president of Tatarstan, and Vladislav Ardzinba, chairman of the Supreme Soviet of Abkhazia, signed in Kazan yesterday a friendship and cooperation treaty between the two republics.

"All the former Union and autonomous republics are now on the path of the formation of statehood," M. Shaymiyev said prior to the signing of the treaty. "But the peoples are taking different paths toward the goal. Having signed the treaty with Russia, Tatarstan has opted for the less painful path. But not all are managing to resolve the problem peacefully, without direct confrontation."

In the opinion of the president of the Republic of Tatarstan, the conflict in Abkhazia occurred, evidently, on account of an underappreciation of the Abkhazian people's past and their self-awareness and history. After all, from 1921 through 1931 this republic had Union status.

In his opening remarks, V. Ardzinba, head of the parliament of Abkhazia, recalled once again for those assembled the history of the conflict with Georgia. After the Union had disintegrated and when the Georgian SSR ceased to exist, Abkhazia proposed to Tbilisi the signing of a treaty. In response to this step, as V. Ardzinba colorfully put it, tanks were sent to Sukhumi. And troops entered the city on 14 August, what is more—the day when the parliament of Abkhazia was discussing a draft treaty. This was a war not against the Georgian people, V. Ardzinba emphasized, but against the political groups intent on settling the issue by power methods.

As far as the competence of Abkhazia's conclusion of this treaty is concerned, the speaker referred to a document signed in Moscow by B. Yeltsin, E. Shevardnadze, a UN representative, and V. Ardzinba himself. It points out that there are currently no official-legal relations between Georgia and Abkhazia but that Abkhazia may transfer some authority to joint jurisdiction.

Speaking directly of the treaty concluded with Tatarstan, V. Ardzinba emphasized that at the difficult time it was Tatarstan, Bashkortostan, and the republics of the North Caucasus that were the first to render Sukhumi humanitarian assistance. It is logical, therefore, that Abkhazia is eager to make friends and cooperate primarily with these regions. The leader of the parliament of Abkhazia gave the policy line of the president of Tatarstan high marks, mentioning that since 1991 he and M. Shaymiyev had taken part together in the Novo-Ogarevo process, had upheld the rights of the autonomies....

Following the signing of the treaty, V. Ardzinba and M. Shaymiyev answered journalists' questions.

Evaluating the operations of the Russian peacekeeping force in Abkhazia, V. Ardzinba observed that the separation of the belligerents was not fully completed. In addition, the participation in the peacekeeping mission of troops of the Transcaucasus Military District, in which soldiers of Georgian nationality serve, could create new problems in the liquidation of the conflict. On the whole, however, the situation in Abkhazia is stabilizing. This is indicated also by the fact that the chairman of the Supreme Soviet, the chairman of the Council of Ministers, and a number of ministers of Abkhazia had been able to leave their offices for a while and come to Kazan for the conclusion of the treaty.

The president of the Republic of Tatarstan reminded journalists that 11 agreements on cooperation in the sphere of the economy, trade, transport, research, culture, and education would be signed in the very near future in addition to the treaty. We are interested primarily, M. Shaymiyev observed, in the recreation industry (there will not be combat operations in Abkhazia forever), and it is possible that Tatarstan will invest in certain projects in this sphere.

Addressing the question of Abkhazia's possible membership of the Russian Federation, about which the press is

writing so much, V. Ardzinba said: Let the people of the republic decide this question at a referendum. The conclusion of agreements and treaties with republics of the Russian Federation, however, is perfectly natural.

S. Dzhindzholiya, chairman of the Council of Ministers and minister of foreign affairs of Abkhazia, M. Sabirov, prime minister of Tatarstan, A. Lozovoy, deputy chairman of the Supreme Soviet of the Republic of Tatarstan, members of the official delegation of Abkhazia, and senior officials of the presidential staff and the Cabinet of Ministers of the Republic of Tatarstan took part in the treaty-signing ceremony.

Tatarstan Defends Treaty With Abkhazia

944F1337A Kazan IZVESTIYA TATARSTANA
in Russian 23 Aug 94 p 1

["Statement by the Republic of Tatarstan Department for Foreign Affairs and CIS Questions"]

[Text] A Treaty of Friendship and Cooperation between the Republic of Tatarstan and the Republic of Abkhazia was signed in Kazan on 17 August 1994.

The MFA [Ministry of Foreign Affairs] of Georgia issued a statement in this connection. A protest note states, in particular, that "the signing of the indicated political treaty is a threat to the territorial integrity of both the Republic of Georgia and of the Russian Federation."

In signing a treaty of friendship and cooperation with the Republic of Abkhazia, the Republic of Tatarstan proceeded from Article II paragraph 11 of the Treaty of the Russian Federation and the Republic of Tatarstan "On Demarcating the Subjects for the Conduct and Mutual Delegation of Powers Between the Organs of State Authority of the Republic of Tatarstan." The treaty between Tatarstan and Abkhazia does not propose the creation of any kind of political union, it is not directed against either Georgia or Russia, and what is more it does not propose changes in the existing borders. The Republic of Tatarstan does not interfere in the relations between Georgia and Abkhazia, and, at the same time, it considers it possible to restore previously existing mutual relations with the Republic of Abkhazia that were disrupted by military operations. For the purpose of supporting the stability of economic relations, international relations envision their reinforcement with state guarantees, which the Treaty also does. Tatarstan has signed similar treaties with other republics as well, which does not affect questions of the territorial integrity of either the Russian Federation or of Georgia.

'Creation' Movement Opens Branch in Kazan

944F1337B Kazan RESPUBLIKA TATARSTAN
in Russian 23 Aug 94 p 1

[RESPUBLIKA TATARSTAN report by unidentified correspondent: "The Aim of the Parties and Movements Is Creation and Progress"]

[Text] One more organization has appeared in the spectrum of parties and movements operating in Tatarstan. The Kazan branch of the All-Russian Sociopolitical Movement "Creation" has declared itself. Our correspondent met with V. Yablochnikov, chairman of the branch, deputy director of the scientific-methodological center of the Institute of Secondary and Special Education of the Russian Academy of Education, and senior researcher.

The founders of the new Russian movement, he noted, are representatives of scientific circles, culture, education, industry, agriculture, banking and business affairs, veterans of the Armed Forces, and the Cossacks. In uniting in the new movement, we proceed from the fact that the reorganizations that were started in our country nine years ago were brought about objectively. However, then and now the leadership of the country was unable to offer a constructive program of reforms. As a result, the Soviet Union was destroyed artificially, and a great power was reduced to the level of a third world country.

The current state of Russia is catastrophic. Urgent measures are needed to pull out of this crisis.

They have been worked up by Creation specialists. The program envisions radical changes in tax and budgetary policy, the customs system, monetary circulation, and privatization. We deem it necessary to change the attitude of society toward the use of natural resources and toward the land. The Armed Forces and the law enforcement organs need reorganization.

Our movement believes that the preservation of motherhood and childhood, the all-round development of children, an increase in the social status of teachers, and the moral improvement of society are very important. An all-round program of assistance to pensioners is also needed.

To the maximum extent possible, we will assist the voluntary reunification of the peoples of the USSR into a unified state. We think that Russia does not need a one-sided orientation on the United States, which led to a retreat from all strategic positions.

Our movement comes out under the slogans: "Fatherland, morality, professionalism!"

Creation is headed by V. Sokolov, the well-known scientist and politician. Among the members of the movement's council are V. Shcherbakov, the deputy mayor of St. Petersburg; G. Yashkin, chairman of the Russian Union of Veterans of the Armed Forces; V. Kirpichnikov, chairman of the Union of Russian Cities; G. Krutov, deputy supreme ataman of the Union of Cossack Troops of Russia and Abroad, and many others.

Tatarstan, Kaliningrad Extend Agreements

944F1321A Kazan RESPUBLIKA TATARSTAN
in Russian 20 Aug 94 p 2

[Article by Ye. Taran: "Routes of Cooperation. Oil—Ours, Ports—Kaliningrad's...."]

[Text] Yesterday in Kazan, Prime Minister of the Republic of Tatarstan Mukhammat Sabirov and Yuriy Matochkin, chief of the administration of Kaliningrad Oblast, extended until 1995 the agreement on the principles of trade and economic cooperation signed in 1993. At the same time they signed a protocol on the results of the negotiations of the delegations from Tatarstan and Kaliningrad Oblast, which stipulates the areas of cooperation.

On 18 August, the day before these documents were signed, the delegation from Kaliningrad headed by Yu. Matochkin was received by Prime Minister of the Republic of Tatarstan M. Sabirov. During this meeting they discussed specific aspects of economic cooperation between Tatarstan and the westernmost region of Russia. Participating in the discussion were: from Kaliningrad—Chairman of the Committee on the Consumer Market V. Feoktistov and Deputy Chairman of the Committee on Economics and Forecasting O. Isakov, and from the Republic of Tatarstan—Deputy Prime Minister F. Khamidullin and Minister of Foreign Economic Relations Sh. Arslanov.

At the news conference held yesterday immediately after the signing of the agreement, Prime Minister of the Republic of Tatarstan M. Sabirov emphasized that cooperation with Kaliningrad Oblast, which, as we know, has been declared a free economic zone of Russia, will make it possible for Tatarstan to save money through reducing expenditures on customs and to use the ports and ships of its partners when exporting its goods and raw materials abroad. One of the possible areas of activity proposed by Yu. Matochkin is the creation of joint productions, whereby semi-manufactured products are made in Tatarstan and finished to export condition at enterprises of Kaliningrad Oblast. This kind of cooperation is advantageous in that the final product is exempt from export duties, and its producers receive more profit.

The chief of the administration of Kaliningrad Oblast suggested that Tatarstan participate in the construction of a new port with a petroleum terminal and lease the land for constructing its own (Tatarstan's) warehouse facilities. M. Sabirov reported that it was through the Kaliningrad port that technical equipment from the General Motors firm would be shipped to Tatarstan and fuel oil from the joint-stock company Nizhnekamskneftekhim and also petroleum would be sold.

The documents that were signed will soon be supplemented with another one—on shipping products back and forth between Tatarstan and Kaliningrad. The work groups are now working out the fine points of this document in terms of figures but, in the words of Deputy Prime Minister F. Khamidullin, no radical changes in it are expected. Our republic intends to buy from Kaliningrad Oblast fish meal, fish, and preserves made from it, furniture, and paper. Our partners are interested in KamAZ motor vehicles, tires, chemical products, petroleum, and alcohol. When he heard about the large rye

harvest in Tatarstan. Yu. Matochkin decided not to buy it abroad for hard currency but to acquire rye from our republic.

In response to a question from a RESPUBLIKA TATARSTAN correspondent about the effectiveness of the agreements that have been signed not only with Kaliningrad Oblast but also with other regions of Russia and states of the CIS. M. Sabirov stated that so far the return is not as great as we would like, and the corresponding structures will have to do a good deal more work in this area.

Shaymiyev on Tatarstan Progress, Islam

944K2215A Moscow ARGUMENTY I FAKTY
in Russian No 34, Aug 94 p 5

[Interview with M. Shaymiyev by Andrey Uglov; place and date not given: "Peace Has Come to Our Home"]

[Text] A year ago Tatarstan was considered a powder keg in the heart of Russia. This year the tension has noticeably subsided. One of the principal peacemakers is Mintimer Shaymiyev, president of the republic.

[Uglov] Mintimer Sharipovich, what can you say about the genuine equality of the components of the Russian Federation? Perhaps it would make sense dividing Russia not into oblasts but only into republics—Far East, Siberian, Urals, Tatar, and so forth?

[Shaymiyev] If this format is considered in pure form, it could, truly, appear attractive. Cutting Russia into republics and making them politically and economically of absolutely the same type and with identical rights. But, proceeding from the history of formation of the Russian state and its population, I believe that this would be impossible. National-territorial formations have taken shape here.

Russia is multinational. It cannot be compared with America, that is the New World. Here, whether we like it or not, there is land populated by indigenous peoples also. Whence also the names of this land. How can we escape this factor? But I have always been in favor of all being identical in socioeconomic development.

We are embarking on the path of a treaty and constitutional federation. Whoever has the opportunities to realize a number of command powers, let him assimilate them. Boris Nikolayevich was right, this is the point we have reached today. Tatarstan, for example, should assimilate the powers that we have assumed voluntarily, and the responsibility also, of course. This means putting the economy on a new track and raising people's living standard.

[Uglov] Is the idea of the introduction in Tatarstan of its own currency still alive?

[Shaymiyev] Under the conditions of glasnost and the possibility of speaking openly, the leaders of parties and movements and simply ambitious people may talk about

what they please. It is unrealistic. It can be seen from the example of Belarus and Ukraine and other countries that an extra price has to be paid for this.

[Uglov] Where are conscripts from Tatarstan performing their service?

[Shaymiyev] According to the treaty, service in the Armed Forces of the Russian Federation is specified because this authority has been delegated to Russia voluntarily. There is simply not the number of troops in our republic to accommodate our draftees. And, then, why should we limit our boys in any way? And not allow the young people an opportunity to test themselves? A cult of strength is being preached among them currently. They are with pleasure joining the airborne forces, the marines, and so forth. But our draftees should not serve at flash points.

[Uglov] It is still believed that Russia is threatened by Islamic fundamentalism. The danger allegedly emanates from Asia via Tatarstan and Bashkiria [Bashkortostan]. Do you, as president of the republic, sense here, in Kazan, a fifth column of Islam in Russia?

[Shaymiyev] Based on the educational level of the people of Tatarstan and the structural composition of the population, Islamic fundamentalism does not threaten Tatarstan. This is very important. Our religions, Islam and Christianity, should be given their due—they have not in this time admitted the least misgivings in relations between people of different faiths.

Before the start of perestroika, we had 22 operating mosques. Today 300 mosques are operating, and almost 180 are being built. I have no doubt that within two years there will be over 1,000 of them. Churches are appearing and being restored at a lesser pace. Because the Christians built churches in capital fashion, they were very rich and opulent. This was the accepted way. The problem of the training of imams, mullahs, and leaders for these mosques has arisen, of course. There is a shortage of educated people who are to convey via their teaching what people need. A certain attempt to take advantage of the possibilities of fundamentalism is perceived in this area. Such attempts are being made on the part of individual countries. Considering our traditions, we are trying to orient ourselves toward the more secular states. We have sent many children and people of middle age for training in Turkey, which is not characterized by fundamentalism.

[Uglov] Could you say how much money, for example, Tatarstan transferred to the federal budget in 1993 and how much it received?

[Shaymiyev] It is hard to answer this question, because many different channels for payments have been established. I can say one thing—Tatarstan is not, by and large, a subsidized republic. In terms of this year we have shortfalls in the treasury contributions. But not because we are reluctant, but on account of the wholesale arrears

problem. There are on account of this delays in wages even in the subsidized regions.

[Uglanov] How do Russians feel in Tatarstan? Do they still have a sense of fear and uncertainty, as was the case three years ago?

[Shaymiyev] In signing the treaty with Russia we expected that it would lead to peace and tranquillity in each home. This is what has, in fact, happened.

[Uglanov] Is Chechnya conferring with you on questions of treaty relations with Russia? Have there been any contacts with the official authorities or the opposition?

[Shaymiyev] Yu. Meshkov, president of Crimea, was here. Consultations were held as soon as he assumed office. There has been no such initiative on the part of Chechnya. Initially our extreme nationals sought support in Chechnya and made contacts. But when we began to receive information that this could be linked with imports of weapons into the republic, we adopted the appropriate measures. If there is a desire for consultations on Chechnya's part, we are undoubtedly prepared for a dialogue.

[Uglanov] You are the leader of the Muslim community. Are you worried by the problem of the Muslims in Bosnia?

[Shaymiyev] I am worried from several other positions. Russia is a multinational federation. Under conditions where there is unconcealed support for the Christian population of Bosnia-Herzegovina, it should be considered that there are Muslim republics in Russia also. We (the leaders of Bashkortostan, Tatarstan, and other republics) could even deliver a statement. We have refrained from doing so, it is true. In any event, Russia should in its policy always take account of the Muslim factor. Otherwise our voice will be heard.

[Uglanov] Would you like to be president of Russia?

[Shaymiyev] No.

[Uglanov] Why not?

[Shaymiyev] I am president of Tatarstan.

Tatarstan Passes Law on Foreign Investment

Text of Law

944F1272A Kazan RESPUBLIKA TATARSTAN
in Russian 16 Aug 94 pp 2-3

[Republic of Tatarstan Law on Foreign Investment in the Republic of Tatarstan, signed by Republic of Tatarstan President M. Shaymiyev in Kazan, 19 July 1994]

[Text] This Law specifies legal, economic and social conditions for attracting foreign capital into the Republic of Tatarstan national economy. It is aimed at

ensuring rights and protecting the property ownership and financial and intellectual property of foreign investors.

Chapter 1 - General Provisions

Article 1. Legislation on foreign investment

Legal regulation of relations involving foreign investment on Republic of Tatarstan territory shall be accomplished on the basis of this Law and of laws in force on Republic of Tatarstan territory.

If an international treaty in force on Republic of Tatarstan territory shall have established different rules than those contained in this Law, rules of the international treaty shall apply.

Article 2. Foreign investment and investment activity

Foreign investment shall be all kinds of property and intellectual values being invested by foreign investors in projects of business and other kinds of activity for purposes of obtaining a profit (return).

Such values may be the following:

- material and nonmaterial assets;
- financial resources, purpose-oriented bank deposits, stocks, bonds and other securities.

Investment activity shall be the sum total of practical actions aimed at realizing any forms of foreign investment envisaged by this Law.

A contract shall be the legal basis of investment activity.

Investment activity in free economic zones shall be regulated by a special law of the Republic of Tatarstan.

Concessionary and other contracts may be concluded with foreign investors in accordance with laws in force on Republic of Tatarstan territory.

Article 3. Foreign investors

Foreign investors of the Republic of Tatarstan may be the following:

- foreign legal persons, including in particular any companies, firms, enterprises, banks and organizations and also their associations established and competent to make investments in accordance with laws of the country of their location or country of registration;
- foreign associations without rights of a legal person, established and competent to make investments in accordance with laws of the country of their location or country of registration;
- foreign citizens as well as those having permanent residence abroad (or outside the Russian Federation), citizens of the Republic of Tatarstan and Russian Federation, and stateless persons recognized as such in accordance with laws in force on Republic of

Tatarstan territory, on condition that they be registered for conducting economic activity in their country of citizenship or of permanent residence;

- international organizations and funds;
- foreign states.

Article 4. Foreign investment projects

Foreign investment projects may be capital assets being newly created or modernized, existing capital assets, and working capital in all sectors and spheres of the Republic economy; securities; purpose-oriented money deposits; scientific-technical products; rights to intellectual values; land and other natural resources of the Republic of Tatarstan; and other property rights.

Investment shall be prohibited in projects whose creation and use do not meet requirements of sanitary-hygienic, ecologic and other standards established by laws in force, or that cause damage to rights and interests of citizens and legal persons protected by law or to the Republic of Tatarstan.

Based on a proposal of the Government of the Republic of Tatarstan, the Republic of Tatarstan Supreme Soviet shall determine projects which are restricted and prohibited for foreign investment, and also sectors and territories that are a priority for such investment.

Article 5. Foreign investing

Foreign investors shall determine independently the directions, forms and amounts of investment.

Foreign investors shall have the right to attract citizens and legal persons of the Republic of Tatarstan into investment activity on a contractual basis, and also to transfer under contract the right of possession, use and disposition of their own property and to carry out other actions not prohibited by laws in force.

Foreign investors on Republic of Tatarstan territory shall enjoy guarantees envisaged by this Law and by other legislative measures. The Government of the Republic of Tatarstan may assume surety (guarantees) for obligations of legal persons stemming from their relations with foreign investors.

Chapter 2 - State Guarantees of Protection of Foreign Investment and Benefits for Foreign Investors

Article 6. Legal regime of foreign investment

Foreign investment on Republic of Tatarstan territory shall enjoy complete and unconditional legal protection provided by this Law, by other legislative measures and by international treaties in force on Republic of Tatarstan territory. The legal regime of foreign investment and of the activity of foreign investors in accomplishing it may not be less favorable than the regime for property, property rights and investment activity of legal persons and citizens of the Republic of Tatarstan.

A special regime of foreign investment activity may be established in sectors of the national economy of special importance to the Republic of Tatarstan.

Article 7. Guarantees against compulsory seizures and against illegal actions by state bodies and their officials

Foreign investment in the Republic of Tatarstan shall not be subject to nationalization and may not be subjected to requisition or confiscation if not envisaged by laws in force in the Republic of Tatarstan.

In cases of nationalization or requisition, the foreign investor shall be paid swift, adequate and effective compensation.

Decisions on nationalization shall be made by the Republic of Tatarstan Supreme Soviet. Decisions on requisition and confiscation shall be made under the procedure established by laws in force on Republic of Tatarstan territory.

Foreign investments shall not be subject to requisition, with the exception of instances of natural disasters, accidents, epidemics, epizootics and other circumstances of an emergency nature.

Foreign investors shall have the right to compensation for losses, including for lost profits, caused for them as a result of illegal actions by state bodies of the Republic of Tatarstan or their officials, and also as a result of improper performance by these bodies or their officials of duties prescribed by law.

Article 8. Compensation and restitution for losses to foreign investors

Compensation paid to a foreign investor must correspond to the market value of the investment being nationalized or requisitioned as of the moment a decision on nationalization or requisition is made.

In making a decision on nationalization or requisition, state bodies accomplishing the compulsory measures indicated shall appoint an independent competent body or establishment to estimate the value of investments being seized.

Compensation must be paid without unfounded delay in that currency in which the investment was made initially or in another foreign currency acceptable to the foreign investor.

Compensation must include interest figured from the day the decision on nationalization or requisition was made right up to the day of payment, according to the interest rate in effect on Republic of Tatarstan territory. In case of the absence of such a rate, the interest being received by the National Bank of the Republic of Tatarstan shall be in effect.

Restitution for losses, including lost profits, caused for a foreign investor as a result of nationalization or requisition shall be accomplished by the Government of the Republic of Tatarstan from Republic budget funds.

Restitution for damage caused to a foreign investor by illegal actions of state bodies of the Republic of Tatarstan or their officials, and also as a result of improper performance by these bodies or their officials of duties prescribed by law shall be made from Republic budget funds with subsequent restitution of these funds to the budget from funds of the state bodies and officials guilty of causing the damage.

Article 9. Guarantees of transfer of payments in connection with foreign investment

After payment of appropriate taxes and fees, foreign investors shall be guaranteed the unimpeded transfer of payments abroad in connection with investments they are making, if these payments have been received in foreign currency, and in particular:

- returns from investment obtained in the form of profits, a share of profits, dividends, license fees and commissions, payments for technical assistance and technical services, and other remunerations;
- sums being paid based on the right of monetary claims and requirements for fulfilling contractual obligations which have economic value;
- sums obtained by investors in connection with partial or complete liquidation or sale of investments;
- compensations envisaged in Article 8 of this Law.

Article 10. Guarantees of use of payments in Russian Federation currency on Republic of Tatarstan territory

Payments indicated in Article 9 of this Law and received in rubles by foreign investors from sources on Republic of Tatarstan territory and other CIS republics which use the ruble as a national currency may be reinvested on Republic of Tatarstan territory and used in accordance with laws in force on Republic of Tatarstan territory.

To keep funds in Russian Federation currency, foreign investors may have current and settlement accounts in banks on Republic of Tatarstan territory which have an appropriate license of the Russian Federation Central Bank, without the right to transfer abroad sums from those accounts.

Foreign investors may use ruble funds in those accounts for acquiring foreign currency in the domestic currency market under the procedure envisaged by laws in force on Republic of Tatarstan territory.

Article 11. Guarantees in cases of a change of legislation

The Republic of Tatarstan shall guarantee protection of rights of foreign investors and of the terms of foreign investment.

In cases where the Republic of Tatarstan shall adopt legislative measures containing rules worsening the position of foreign investors and conditions of their commercial activity, corresponding rules of these measures shall apply with respect to foreign investors who already have been conducting investment activity on Republic of

Tatarstan territory only at the expiration of three years from the moment of their entry into force.

This provision does not extend to cases of a change of legislation concerning assurance of defense, national security and public order, the export and import of strategically important raw materials, environmental protection, and also antimonopoly legislation.

Article 12. Guarantees when there is a termination of investment activity

In case of termination of investment activity, a foreign investor shall have the right to the return of investment funds he has deposited and the returns obtained in connection with them in monetary or commodity form according to the market value at the moment of termination of investment activity, with the exception of sums and other material values which were used and lost as a result of actions of foreign investors themselves or of actions undertaken with their involvement.

Article 13. Encouragement of foreign investment

The following measures to encourage foreign investment may be applied with respect to foreign investors under the procedure established by law:

- measures in the area of taxation such as preferential tax rates, temporary exemption from payment of taxes, tax withdrawals, deferment of tax payment, accelerated depreciation, and other measures concerning social insurance premiums and investment reserves;
- financial measures such as preferential loans (credits) and surety (guarantees) for a loan;
- conversion of debt into stocks (benefits from discounting a debt accumulated by foreign investors);
- other nonfinancial measures such as assistance in creating an infrastructure, government contracts on preferential terms, and provision of certain services.

Article 14. Right of foreign investors to additional tax benefits and guarantees, and the procedure for approval of investment projects

Foreign investors shall have the right to receive additional benefits and state guarantees for investment projects of especially great national economic importance in case these projects shall be approved by the Government of the Republic of Tatarstan.

Investment projects which shall have received approval in the Government of the Republic of Tatarstan shall be approved by a decree giving the investment project the status of "approved investment project."

Investment projects which shall have received the status of "approved investment project" shall be granted a preferential taxation regime within the scope of laws in force and necessary special government guarantees ensuring protection of investments, in addition to those envisaged by this Law.

To obtain the status of "approved investment project," foreign investment projects shall be subject to state expert examination in an interdepartmental expert commission or in another especially empowered body before approval by the Government of the Republic of Tatarstan.

State expert examination of foreign investment projects may be performed irrespective of the form of organization of investment activity, in the presence of the following documents:

- foreign investor's written application with a request to conduct a state expert examination of the investment project and indicating the legal address and legal status of the foreign investor;
- description of the investment project in accordance with the developed standard methodology, including a feasibility study, organizational-legal form of investment, investment property, value of investment, working amounts of investment (current and long-term), and placement of investment.

The interdepartmental expert commission or other specially empowered body shall be obligated to submit an opinion to the Government of the Republic of Tatarstan within 30 days from the moment of receipt of the application.

Article 15. Property and risk insurance

Property and risk of enterprises with foreign investment shall be insured at their discretion if compulsory insurance is not envisaged by laws in force on Republic of Tatarstan territory.

At the discretion of the Government of the Republic of Tatarstan a portion of expenses connected with property and activity insurance may be covered from Republic budget funds within limits established by the Republic of Tatarstan Supreme Soviet.

Chapter 3 - Establishment and Liquidation of Enterprises With Foreign Investment

Article 16. Organizational-legal forms and kinds of enterprises with foreign investment

On Republic of Tatarstan territory enterprises with foreign investment shall be established and shall operate in the form of joint stock companies and partnerships and in other organizational-legal forms envisaged by laws in force on Republic of Tatarstan territory.

The following may be created and may operate on Republic of Tatarstan territory:

- Enterprises with a stake [dolevoye uchastiye] in foreign investment (enterprises with mixed capital), and also their subsidiary enterprises and affiliates;
- enterprises belonging entirely to foreign investors, and also their subsidiary enterprises, affiliates and other separate enterprises;
- affiliates of foreign legal persons.

Features of establishing banks with foreign investment are established by laws on banks and banking activity in force on Republic of Tatarstan territory.

Article 17. Procedure for establishing enterprises with foreign investment

An enterprise with foreign investment may be established either by being founded or as a result of a foreign investor's acquisition of a stake [dolya uchastiya] (share [pay], stock) in a previously founded enterprise without foreign investment or complete acquisition of such an enterprise.

The minimum authorized fund of enterprises with foreign investment subject to registration in accordance with the procedure established by this Law shall be determined by the Government of the Republic of Tatarstan.

An enterprise with foreign investment shall be founded under the procedure envisaged by laws in force on Republic of Tatarstan territory.

Acquisition by a foreign investor of a stake (share, stock) in a previously founded enterprise without foreign investment and also complete acquisition of an enterprise shall be accomplished under the procedure envisaged by laws in force on Republic of Tatarstan territory.

Article 18. Expert examination of enterprises with foreign investment

A state examination shall be conducted beforehand for the establishment of enterprises with foreign investment which are connected with large-scale construction or reconstruction, and also of projects having an ecologic impact.

In necessary instances, establishment of enterprises with foreign investment shall require obtaining the opinion of sanitary-epidemiological services and conducting an ecologic expert examination. All kinds of expert examinations and the issue of permits shall be accomplished on a common basis in accordance with laws in force on Republic of Tatarstan territory.

Article 19. Foundation documents of enterprises with foreign investment

Foundation documents of enterprises with foreign investment must specify the subject and goals of enterprise activity; makeup of parties; size, time periods and procedure for forming the authorized fund, including in foreign currency; size of stakes of parties and procedure for their contribution and assessment; procedure for distribution of profit; structure, makeup and competence of management bodies; decisionmaking procedure; list of questions requiring unanimity; and procedure for liquidation of the enterprise. In addition, foundation documents also may include other provisions not contradicting laws in force on Republic of Tatarstan territory and reflecting features of enterprise activity.

An assessment of contributions to the foundation fund may be made both in rubles as well as in foreign currency with a conversion of the contribution in rubles according to the rate of exchange of the Russian Federation Central Bank existing at the moment payments and contributions are made.

Contributions of an enterprise with foreign investment to the foundation fund that are expressed in the form of property are assessed by agreement among its parties on the basis of world market prices. In the absence of such prices, the value of contributions is determined by agreement of the parties.

Article 20. Subsidiary enterprises of enterprises with foreign investment

Enterprises with foreign investment may establish subsidiary enterprises in and outside of the Republic of Tatarstan.

Subsidiary enterprises on Republic of Tatarstan territory shall be established as legal persons in accordance with laws in force on its territory.

Article 21. Affiliates and representations of enterprises with foreign investment

Enterprises with foreign investment may establish affiliates, representations and other separate subunits on and outside of Republic of Tatarstan territory.

Affiliates, representations and other separate subunits shall be established on Republic of Tatarstan territory with observance of terms established by laws in force. They shall not be legal persons, they shall operate on the basis of provisions on them approved by the founding enterprise, and they shall have the right to open accounts in banking institutions of the Republic of Tatarstan.

Article 22. Associations of enterprises with foreign investment

Enterprises with foreign investment may, on terms of and under the procedure envisaged by laws in force on Republic of Tatarstan territory, associate in unions, associations [assotsiatsiya], concerns, consortiums, and intersectoral, regional and other associations [obyedineniye], including with the participation of legal persons of the Republic of Tatarstan, and may join previously established associations.

Article 23. State registration of enterprises with foreign investment

An enterprise with foreign investment shall be subject to state registration accomplished by a state body empowered therefor, and from the moment of its registration shall acquire rights of a legal person under laws of the Republic of Tatarstan.

State registration of enterprises with foreign investment shall be accomplished in the presence of the following documents:

For enterprises with mixed capital:

- a. Written application of founders with a request to register the enterprise being established;
- b. Two notarized copies of foundation documents;
- c. Decision of the property owner and of the body empowered by him establishing the enterprise;
- d. Notarized copies of foundation documents for each legal person of the Republic of Tatarstan participating in establishing a joint venture;
- e. Document on solvency of the foreign investor issued by the bank servicing him or by another credit and financial institution (with certified translation into the Russian language at Russian consular posts in the country of registration of the foreign investor);
- f. Extracts from the trade register of the country of origin or other equivalent proof of the foreign investor's legal status in accordance with laws of the country of his location, citizenship or permanent residence (with certified translation into the Russian language at Russian consular posts in the country of registration of the foreign investor);
- g. Expert opinions in instances envisaged by law.

For enterprises belonging completely to foreign investors:

- a. Written application for registration from the foreign investor;
- b. Two notarized copies of the Charter;
- c. Document on solvency of the foreign investor issued by the bank servicing him or by another credit and financial institution (with certified translation into the Russian language at Russian consular posts in the country of registration of the foreign investor);
- d. Extracts from the trade register of the country of origin for a foreign investor (with certified translation into the Russian language at Russian consular posts in the country of registration of the foreign investor);
- e. Expert opinions in instances envisaged by law.

For affiliates of enterprises with foreign investment and affiliates of foreign legal persons:

- a. Statement signed by the head of the enterprise establishing the affiliate with a request for its registration;
- b. Extract from the decision of a competent body of enterprise management on establishing the affiliate;
- c. Two notarized copies of the provision on the affiliate;
- d. Notarized copies of foundation documents of the enterprise establishing the affiliate;
- e. For a foreign legal person, an extract from the trade register of the country of origin or other equivalent proof

of its legal status in accordance with laws of the country of its location (with certified translation into the Russian language at Russian consular posts in the country of registration of the foreign investor);

f. Expert opinions in instances envisaged by law.

Substantial additions and changes to foundation documents concerning changes in the size of the authorized fund, makeup of parties and subjects of activity of enterprises with foreign investment and of affiliates already registered, and information on their liquidation also shall be subject to state registration.

A notarized copy of the decision of a competent body of the enterprise on changes and additions made to foundation documents shall be submitted by an enterprise with foreign investment to the registering body no later than 30 days after they are adopted. Those changes and additions to foundation documents shall enter into force only after their registration.

Data on registration of enterprises with foreign investment shall be included in the State Register of the Republic of Tatarstan.

A simplified registration procedure, determined by laws in force of the Republic of Tatarstan, applies for enterprises with foreign investment whose authorized fund is less than prescribed by the Government of the Republic of Tatarstan.

Article 24. Registration periods of enterprises with foreign investment

An empowered state body shall be obligated to register an enterprise with foreign investment or inform the applicant of reasons for refusal within 21 days from the moment an application is submitted.

A registered enterprise with foreign investment shall be issued a certificate of registration of the prescribed type. An enterprise with foreign investment shall be considered established from the moment of its state registration. Registration information shall be provided to local state authorities. An announcement of the registration shall be published in the press.

Article 25. Refusal to register enterprises with foreign investment

A refusal of state registration of an enterprise with foreign investment shall be possible only in case of a violation of the procedure established by laws in force on Republic of Tatarstan territory for forming such an enterprise or in the absence of documents necessary for registration. A refusal of registration may be appealed judicially.

Article 26. Termination of activity of an enterprise with foreign investment

Activity of an enterprise with foreign investment shall be terminated in the form of its liquidation or reorganization.

An enterprise with foreign investment shall be reorganized by merging, joining, splitting up, detaching, or transforming into a different organizational-legal form in accordance with laws in force.

An enterprise with foreign investment shall be liquidated in the instances and under the procedure envisaged by laws in force on Republic of Tatarstan territory.

In the absence of documentary confirmation of the fact that each of the parties has made at least 50 percent of contributions to the authorized fund at the expiration of a year after registration of an enterprise with foreign investment, the body which registered this enterprise shall recognize it as insolvent and make a decision on its liquidation. Information about this shall be published in the press. The time period for making contributions may be extended by the Government of the Republic of Tatarstan.

A decision on liquidation of an enterprise with foreign investment shall be made based on a report of the liquidation commission.

A decision on liquidation of an enterprise with foreign investment may be appealed judicially.

Chapter 4 - Kinds and Conditions of Activity of Enterprises With Foreign Investment

Article 27. Kinds of activity

An enterprise with foreign investment may carry out any kinds of activity meeting the goals envisaged in the enterprise charter, with the exception of those prohibited by laws in force.

Enterprises with foreign investment shall be obligated to formalize appropriate licensing under the procedure established by law for the kinds of activity subject to licensing. Returns obtained from activity being accomplished without a license shall be withdrawn to the local budget.

Article 28. Export and import of goods and services

Enterprises belonging completely to foreign investors and enterprises with foreign investment shall have the right, at their discretion, to export products of their own manufacture and import products for their own needs under the procedure and on terms specified by laws in force on Republic of Tatarstan territory.

Customs regulation shall be accomplished in accordance with laws in force on Republic of Tatarstan territory.

Article 29. Accelerated depreciation at enterprises with foreign investment

The Government of the Republic of Tatarstan shall have the right to grant enterprises with foreign investment the opportunity of accelerated depreciation (capture of higher standards of depreciation deductions).

The procedure and terms of accelerated depreciation shall be determined by the Government of the Republic of Tatarstan. In case of termination of activity of a legal person involved in foreign investment before expiration of the time period indicated in the application, the sums formed as a result of accelerated depreciation shall be withdrawn to the appropriate budget.

Article 30. Taxation

Enterprises with foreign investment and also foreign investors shall pay taxes and shall have the right to all benefits established by laws in force on Republic of Tatarstan territory.

Article 31. Tax audit

A tax audit of financial and commercial activity of enterprises with foreign investment shall be performed by state bodies of the Republic of Tatarstan empowered therefor.

Both auditing organizations of the Republic of Tatarstan as well as foreign auditing organizations, at the discretion of enterprises with foreign investment, may be brought in for purposes of an analysis of property and activity.

Article 32. Accounting and reporting

Accounting and reporting of enterprises with foreign investment on Republic of Tatarstan territory shall be conducted under the rules established in it, and if desired also under rules in force in the country of origin of the foreign investor.

For purposes of evaluating balance sheets and accounting, an enterprise with foreign investment shall convert foreign currency into rubles according to the exchange rate of the Russian Federation Central Bank in force at the moment payments and conversions are made.

Article 33. Surety for obligations

The property of an enterprise with foreign investment may be used by it as surety for all kinds of its obligations. Its property rights may serve as surety for obligations.

Article 34. Financial, credit, settlement and currency operations

Enterprises with foreign investment shall carry out financial, credit and settlement operations in accordance with laws in force in the Republic of Tatarstan. Foreign currency operations shall be accomplished by enterprises with foreign investment under the procedure established by laws in force on Republic of Tatarstan territory.

Article 35. Intellectual property rights

The protection and exercise of intellectual property rights of enterprises with foreign investment shall be ensured in accordance with laws in force on Republic of Tatarstan territory and with international agreements.

Enterprises with foreign investment may conclude contracts with their workers with respect to rights to objects of intellectual property. Enterprises shall have the right to use this invention, production prototype or trademark on terms specified by the contract with the author/patent holder.

A patent on an invention, production prototype, trademark and other objects of intellectual property shall be issued to an enterprise after conclusion of an appropriate contract between the worker and enterprise.

An enterprise with foreign investment shall make decisions independently on patenting abroad the inventions and production prototypes belonging to it.

Article 36. Labor relations

Enterprises with foreign investment shall decide independently questions of hiring and firing workers, conditions for labor and rest, terms of payment, guarantees and compensations. It shall be prohibited to worsen the situation of enterprise workers compared with conditions envisaged by laws in force on Republic of Tatarstan territory. Labor relations shall be regulated by a collective agreement and by individual labor contracts.

The makeup of workers, employees and management bodies of enterprises with foreign investment may include foreign citizens. Terms of hire, labor and rest as well as pension support of foreign workers shall be agreed upon in an individual labor contract with each of them. Pay being received by foreign workers in foreign currency may be transferred abroad by them after payment of income tax.

Article 37. Social insurance and security of workers of enterprises with foreign investment

Social insurance of workers of enterprises with foreign investment and their social security (with the exception of pension support of foreign workers) shall be regulated by the rules of laws in force on Republic of Tatarstan territory.

Payments for pension support of foreign workers of enterprises with foreign investment shall be transferred to appropriate funds of countries of their permanent residence in the currency and on the terms of these countries.

Enterprises with foreign investment shall make deductions for state social insurance of workers and deductions for pension support under rates established for enterprises and organizations of the Republic of Tatarstan.

Article 38. Monitoring of activity of enterprises with foreign investment

Monitoring compliance with laws in force by enterprises with foreign investment shall be accomplished by empowered state bodies within limits of their competence. State monitoring bodies must not violate rights

granted to an enterprise with foreign investment or intervene in its production activity.

Article 39. Liability of enterprises with foreign investment

An enterprise with foreign investment shall be liable in accordance with laws in force for nonfulfillment and improper execution of contractual obligations or of credit, settlement and tax discipline, and for violation of product quality requirements and of other established rules for carrying out business activity.

An enterprise with foreign investment shall be liable for its obligations to the extent of all property belonging to it.

The Republic of Tatarstan shall not be liable for obligations of an enterprise with foreign investment, and an enterprise with foreign investment shall not be liable for obligations of the Republic of Tatarstan.

Chapter 5 - Acquisition of Property Rights by Foreign Investors and by Enterprises With Foreign Investment

Article 40. Acquisition of right of ownership

Foreign investors and enterprises with foreign investment shall have the right to acquire as property on Republic of Tatarstan territory buildings, structures, equipment, and other personal and real property necessary for achieving the goals of their activity, in accordance with laws of the Republic of Tatarstan.

Article 41. Acquisition of stakes, shares, stock and other securities

Foreign investors and enterprises with foreign investment shall have the right to acquire stakes, shares, stock and other securities of enterprises located on Republic of Tatarstan territory both for rubles as well as for foreign currency.

The acquisition of stakes, shares, stock and other securities shall be subject to registration in state bodies empowered therefor.

State securities may be acquired by permission of a state body empowered therefor.

Article 42. Participation in privatization

Foreign investors may participate in privatization of state and municipal enterprises and also of objects of uncompleted capital construction on Republic of Tatarstan territory in accordance with laws in force.

Participation in privatization of enterprises with foreign investment shall be regulated by laws in force on Republic of Tatarstan territory.

Article 43. Ownership of parcels of land and the right to use other natural resources

Parcels of land may be the property of foreign investors and enterprises with foreign investment.

The right to use natural resources of parcels of land which are the property of foreign investors and enterprises with foreign investment shall be specified by laws in force on Republic of Tatarstan territory.

Chapter 6 - Procedure for Resolution of Disputes

Article 44. Procedure for resolution of disputes

Investment disputes, including disputes on questions of the size, terms and procedure for payment of compensations, shall be resolved in the Republic of Tatarstan Supreme Court or by the Republic of Tatarstan Supreme Arbitration Court, if another procedure is not envisaged by an international treaty in force on Republic of Tatarstan territory.

Disputes of foreign investors and enterprises with foreign investment with state bodies of the Republic of Tatarstan and with enterprises, public organizations and other legal persons of the Republic of Tatarstan, and disputes between investors and enterprises with foreign investment on matters involving their economic activity, and also disputes between parties of an enterprise with foreign investment and that enterprise itself shall be subject to examination in the Republic of Tatarstan Supreme Arbitration Court or, by agreement of the parties, in an arbitration court or other body specified by them.

An international treaty of the Republic of Tatarstan may envisage recourse to international means of resolving disputes arising in connection with the accomplishment of foreign investment on Republic of Tatarstan territory.

President of the Republic of Tatarstan
M. SHAYMIYEV

City of Kazan, 19 July 1994.

Decree on Entry Into Force

944F1272B Kazan RESPUBLIKA TATARSTAN
in Russian 16 Aug 94 p 3

[Decree of Republic of Tatarstan Supreme Soviet on Entry Into Force of the Republic of Tatarstan Law "On Foreign Investment in the Republic of Tatarstan"]

[Text] The Supreme Soviet of the Republic of Tatarstan decrees:

1. Place into force the Republic of Tatarstan Law "On Foreign Investment in the Republic of Tatarstan" as of the day it is published.

2. The Cabinet of Ministers of the Republic of Tatarstan shall bring decrees and instructions of the Republic of Tatarstan Cabinet of Ministers into line with the Republic of Tatarstan Law "On Foreign Investment in the Republic of Tatarstan" within a period of two months.

Chairman of the Supreme Soviet,
Republic of Tatarstan
F. MUKHAMETSHIN

City of Kazan, 19 July 1994.

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Tatarstan To Sign Contract With General Motors

944F1269A Moscow NEZAVISIMAYA GAZETA
in Russian 9 Aug 94 p 4

[Interfax report: "Elabuga To Get 1.5 Billion Dollars"]

[Text] The government of Tatarstan and the American General Motors company may sign a contract as early as August for joint production of automobiles at the Elabuga Auto Plant, whose construction was frozen in the former USSR. This was reported by the Prime Minister of Tatarstan Mukhammat Sabirov. In his words, the basic directions for implementation of the joint project, coordinated with the management of General Motors in June during the visit of a Russian government delegation to the U.S., were marked out at the end of July at a Moscow meeting with the head of the government of Russia, Viktor Chernomyrdin.

According to preliminary estimates, the total cost of the joint project will be 1.2 to 1.5 billion dollars. Mr. Sabirov reported that in the first stage, in order to study the market, it is proposed that the sale of American automobiles on the territory of Russia and the CIS be organized through ELAZ [Elabuga Auto Plant]. Here the import of automobiles (by affiliate GM companies in Germany) and spare parts from them on the territory of Russia will be free of customs duties and of a number of taxes imposed in Tatarstan. The monies from the sale of automobiles are to be put in a special account for the development of production at ELAZ.

In the second stage, plans are to organize the assembly of automobiles at ELAZ from imported component parts with gradual assimilation of production of 80 percent of the parts and assemblies in defense industries of Russia, including Tatarstan. It is proposed that at this stage the plant will produce up to 50 thousand automobiles in three styles per year. In the third stage, plans are to increase the assembly capacity by 100 thousand automobiles per year, and in the fourth stage by another 150 thousand. Thus production will reach the planned capacity of 300 thousand automobiles per year.

Earlier the South Korean Daewoo company had wanted to participate in organization of joint production at ELAZ, but the sides could not agree on the terms of project financing.

North-West Region Transportation Strategy Proposed

944F1269B Moscow NEZAVISIMAYA GAZETA
in Russian 9 Aug 94 p 6

[Article by Vladislav Tumanov and Boris Anan'yev: "International Shipments: Main Directions and the Near Borders of Russia. Draft of the North-West Transport and Forwarding System Developed"]

[Text] In Russia the relations between regions have changed vitally. The cost of transport and forwarding

services (with an observable process of quality reduction) is growing, and with it also a tendency toward self-isolation, and the replacement of quality imported resources and goods with lower-quality, locally produced ones. There is an increasing difference in rates of recession between the northern and eastern resource regions, the southern and western processing regions, and the capital, large port cities and periphery. Differentiation in foreign economic orientation and polarization of economic interests is occurring.

The Far Eastern region is beginning a process of integration into the economic zone of the Asian Pacific region. The south of Siberia is oriented toward China and the south of Russia toward Turkey.

In this regard, the European part of Russia is in the worst condition, since it has limited outlets to the most demanding of the world markets, the European. There are no accessible outlets to the dynamic developing markets of Southern Asia and the Asian-Pacific Region.

This situation is what makes the search for alternative ways of inclusion in world economic ties so urgent.

Unfortunately, after the Great Patriotic war the geographic position of the Baltic republics within the USSR determined a policy of primary development of the transport infrastructure on their territory, especially sea ports built to maintain the foreign economic ties of the USSR. The extremely large oil exporting port of Ventspils was constructed, and a link of the "Druzhba" export pipeline was connected to it. The first section of the Novotallinsk port, oriented toward handling imported grain cargoes, was introduced. Klaipeda, with the rail-sea terminal of the international Klaipeda-Mukran ferry was the second oil port in importance. The ports of Riga and Tallin performed universal functions in handling general cargoes.

The development of the transport infrastructure of the Baltic occurred largely to the detriment of development of the corresponding transport and forwarding infrastructure of the adjoining regions of Russia: the Leningrad, Pskov, and Kaliningrad oblasts. This especially affected the situation in the latter two oblasts, in the Pskov oblast due to its peripheral position in the USSR, and in the Kaliningrad oblast due to its special military-strategic status.

At present the transport system of the Northwest and Baltic regions, historically developed within the framework of the USSR, is being utilized advantageously by the independent republics of the Baltic.

Recognizing the frontier nature of their economy and understanding the importance of further development of the transport infrastructure, especially a world-class road system, the Baltic countries in recent years have been making persistent efforts to implement international projects for construction of a transcontinental highway through their territory, linking the Russian regions with

the countries of Eastern and Western Europe: the projects "Via Baltika" and "Via Hanseatika." If these projects are implemented, they will improve the positions of the Baltic countries in transport maintenance of the foreign economic ties of Russia, which will lead to strengthening of their monopoly position and policy of dictation with respect to Russian exporters and importers.

Under these conditions, a transportation strategy for Russia must be implemented that makes it possible to reduce the dependence of Russia on the Baltic countries in implementing its foreign economic ties, and to realize its own economic interests.

One variant for resolution of the urgent problems of foreign economic ties of Russia with the European countries is the use of the network of railroads and ferry crossings of Finland. However, full allowance for all factors shows that the chief obstacle to full-scale realization of the Finnish variant is the St. Petersburg transport hub, which has reached its level of saturation, and the North-South Highway, which has exhausted its carrying capacity.

Their modernization is practically impossible and requires multibillion investments (in dollars!) for construction of new transport lines parallel to existing ones.

With allowance for this, the Pskov oblast and western Leningrad oblast may play a special role in maintaining the foreign economic ties of Russia.

Pskov and the oblast, with enormous junctions at Dno, Novo-Sokolniki, and Nevel, is today a major transport hub. Within the borders of the basic territory of the European part of Russia, it is shifted further to the west than the others, and is the least loaded by foreign economic shipments owing to the economic and political positions of the Baltic countries.

One promising project (with a developed concept and technical goal) is the creation of an original transport system linking the river-sea ports of the western Leningrad oblast of Ust-Narva, Ust-Luga and Kingisepp with the Pskov transport hub. This system includes a combination of two components: restoration of the prewar railroad section of Gdov-Pskov and reconstruction of the water system: Pskovskoye Lake - Chudskoye Lake - Narva River with the Narva reservoir.

These measures will make it possible to organize mixed shipping and thus form a new Russian export-import outlet to the Baltic based on use of the potential of the transport-geographic and border situation of Pskov. Its development as a promising transport hub, in which several very important rail lines and roads are combined, along with an international-class airport, makes it possible to form a powerful hub for transport service of the regions of European Russia, restoring its historically traditional role as a trade city. Modernization of the

transport system of the oblast requires much lower capital investment and is open even to Russian investors.

Owing to its geopolitical and economic-geographic position, the Pskov oblast may act as a focus, turning northward the flow of cargo now moving in the direction of the Baltic ports. For this reason, the potential service area of the rail and water terminals in the region of the proposed change in the transport system includes the territory of the Central, Volgo-Vyatsk, and Ural economic regions over the rail lines Perm-Kirov-Kostroma-Bologoye-Dno-Pskov; the Northwest and Northern regions over the lines Pskov-St. Petersburg and further, with unloading of overloaded transport lines and the St. Petersburg port region. It is possible to connect to the operating zone of the transport and forwarding system parts of the export-import cargo flow of Belarus which do not have their own sea outlets.

A policy aimed at reducing the dependence of the Russia's foreign economic ties on the Baltic countries will not only lead to an increase in their reliability and efficiency, but also:

- Will make it possible to create new jobs on the territory of the Pskov oblast.
- Will attract national and foreign investments.
- Will gain tangible advantages for Russian exporters and importers of goods.
- Will strengthen in the long term the local budget and finance base.
- Will tangibly weaken the criminal component in international shipments.
- Will sweep the forced migrants from the Baltic countries.
- Through the project, will implement construction of individual elements of transport lines of federal importance.
- Will attract investments in related or production branches.

The specifics of the region include the presence of highly qualified personnel in electronics, information science, communications and transport; geographic proximity to the main information and transport lines of the country; the inexhaustible tourist and recreational potential.

Considering the very limited organizational, technical and resource work required to develop the transport and forwarding system, this is a unique opportunity for implementation of construction of the system in accordance with present-day world standards and technologies, which we can now observe in the port of Kotka in neighboring Finland.

Such a system must initially consist of a terminal system, and information and logic center for directing cargo flows, tracking and monitoring of cargoes, and finally and most importantly, a system of forwarding services.

As a border system that is compact and regionally integrated system, the Northwest transport and forwarding system could become on the one hand a test site for adaptation of the latest transport and forwarding technologies on Russian soil, and on the other, if it is successful, may be applied to neighboring regions of European Russia, promoting evolutionary and gradual assimilation of a presently inaccessible technological level.

At the initiative of the administration of the Pskov oblast, and based on ideas put forward by the "Eksport-fond" in the RF Ministry of Foreign Economic Ties, the concept of a Northwest transport and forwarding system has been devised. It should be considered as an integrated system, and not as a narrowly regional program, and is oriented toward resolution not only of transport problems, but also of a wide circle of geopolitical and socioeconomic problems facing the present and future Russia.

The concept was approved by the administration of the Pskov oblast. A project board has been created to implement detailed development of the component parts of the project. For participation of entrepreneurial quarters in the activity of the transport and forwarding system, opportunities have been provided for the creation of guarantees for their investments through transfer of oblast installations to the forming economic organism of the system. The oblast administration will conduct targeted work with the federal control agencies to resolve the foreign policy and socioeconomic questions of the project. Adoption of a number of joint documents on the described circle of problems is in preparation.

Tatarstan Oil Industry Reports Production Crisis

944F1276A Moscow *SEGODNYA* in Russian 11 Aug 94 p 3

[Article by Dmitriy Lukashov: "Black Days of the Black Gold: The Tatar Oil Industry Is Experiencing a Crisis"]

[Text] Kazan. At the conference of the labor collective of the "Tatneft" [Tatar Oil] Joint-Stock Company, which took place in Almetyevsk (Tataria), the work for the first six months of 1994 was summed up; because of the refusal of the oil processing enterprises to accept high-sulphide oil, which constitutes about one-third of the oil extracted in the Republic, 3,500 wells have been idle. Drilling, as well as routine and major repair have come to an almost complete stop. More than 60,000 oil industry workers have worked on less than a fulltime basis; 16,000 of them have been on compulsory leave with a minimum wage of R30,000. Nonpayments of consumers of Tatar oil came to R356.6 billion at the beginning of July; the oil industry workers in their turn

owed the budget 128 billion. As a result, the majority of the oil and gas extracting administrations—11 of 14—have finished the six months with losses.

Naturally, the crisis of the oil industry was reflected in the state of the economy and the social sphere of the Republic as a whole. According to unofficial data, the "oil rubles" came to slightly less than half of the income part of the budget of Tataria. As far as the cities of the south and southeast of the Republic are concerned, which came into being as the result of oil and made their living from it, their budgets were formed by oil industry workers to the extent of 85-90 percent. The entire infrastructure of these cities and the majority of industrial enterprises were also oriented to oil. Now, because of the insolvency of the oil industry workers, the transport workers, construction workers, etc., have stopped work. And all this is superimposed on the more than serious ecological problems of the southeast of Tataria; you see, oil has been extracted here for more than half a century, and in the "best" years, for example, the 1970's, the extraction came to about 100 million metric tons a year.

But the "Tatneft" Joint-Stock Company hopes that during the next six months the situation will stabilize somewhat, since a program for reducing expenditures in all subdivisions has been put into operation, the market is adjusting, and the process of transformation into joint stock companies is being completed. The general manager of the joint stock company, Repat Galeev, regards the preservation of the labor collective as the chief plus of the past 6 months. In his opinion, this is the guarantee that, if there is a change in the economic situation of the Republic and the country as a whole, the Tatar oil industry workers will be able to guarantee supply of the planned volume of extraction.

Spread of Weapons in Chechnya Noted

944F1291A Moscow *OBSHCAYA GAZETA* in Russian No 32, 12 Aug 94 p 8

[Article by "OG" [OBSHCAYA GAZETA]: "Everyone Is Armed, Although Not Everyone Is Dangerous"]

[Text] **AUTHORITY.** In the classic sense of the word, no one in the Chechen Republic has any authority today. It is improper to speak even about dual authority, because, more than anything else, the situation resembles the times of medieval feudal fragmentation. In all rayons other than Nadterechnyy Rayon, the prefects who have been appointed by Dudayev are formally in charge. But lately they have not been subordinating themselves to the president. There have even been several instances when the rayon authorities, for example, those in Urus-Martanovskiy Rayon, have not allowed special-purpose detachments from the State Security Department to cross their territory.

Dzhokhar Dudayev is relying specifically upon these special-purpose troops—300 persons—and upon department head Sultan Geliskhanov and 300 more persons in

an armed guard. In addition, in Grozny there are several thousand so-called "guardsmen" or "president's berets." But their exact number and status are unknown, since this is not a regular army and not governmental troops, but groups of armed individuals who, during the time when then are not serving Dudayev, engage in holdups and rackets. With a consideration of this contingent, the president can count on approximately 3000 persons.

INSURGENTS. Field commanders Ruslan Labazanov and Khoza Suleymanov (who have approximately 2500 fighting men under their control), who until recently were subordinate to Dudayev, have split off from the general and declared blood vengeance against him. Labazanov controls his home village of Argun and part of Shalinskiy Rayon, and Suleymanov controls part of Groznenskiy Rayon. A third detachment is headed by Beslan Gantemirov, former chairman of the Grozny city assembly. His riflemen, numbering as many as 700 persons, are based in the mountain village of Gekhi, in Vedenskiy Rayon.

OPPOSITION. In addition to the field commanders, Chechnya has a traditional political opposition. It consists of about ten small and relatively uninfluential parties and movements that include, basically, the intelligentsia, which has fundamentally disagreed with Dudayev's policy for a long time. These intellectuals do not represent any threat to the regime, and they are indulgently tolerated.

Recently the organization that has moved into the foreground is the Provisional Council [VS] headed by Umar Avturkhanov, mayor of Nadterechnyy Rayon. This is the most organized part of the opposition. It received the official recognition of the Russian government and currently is forming a home guard. According to witnesses, the VS already has as many as a thousand fighting men under weapons (previously the mayor of Nadterechnyy Rayon assembled detachments of no more than 500 persons).

The Provisional Council consists of 22 members. Most of them are former members of the Supreme Soviet of Chechen-Ingushetia, chairmen of rayon executive committees, enterprise directors, and representatives of the "intellectual" occupations.

Recently Avturkhanov formed an alternative council of ministers. Its makeup is being kept in secret, but OBSHCHAYA GAZETA has learned that it does not include any prominent "Moscow" Chechens. The cabinet is headed by Ali Khalavdinov, director of a model sovkhoz from Shalinskiy Rayon.

The relations between the political opposition and its "armed wing" are more than strained. Avturkhanov calls Labazanov a "criminal" (Labazanov actually had been in prison as long ago as the Soviet era) and disassociates himself from his detachment. On his part, Labazanov

takes a disdainful attitude toward the activists in the Provisional Council, as being "Moscow stooges."

In addition to the major opposition groupings, each rayon has a so-called "analysis group" that keeps an eye on order, makes sure that its people are not insulted, and keeps in contact with the militia. The militia men, who have been unpaid for more than two years, do not interfere in politics and live by trading in persons who have been arrested or detained. The relatives of each person being traded can ransom him off in exchange for \$2000-3000.

WEAPONS MARKET. Practically the entire male population in the republic is armed. Every home has a machine gun, or a semiautomatic weapon, or a pistol, or at least a few grenades. All this can be purchased at a fair price. Price list: Kalashnikov semiautomatic weapon, one million rubles; Makarov pistol, TT pistol, 1.5-3 million rubles; grenade-thrower, 3-4 million rubles; mortar, 4-5 million rubles.

Armored equipment is much more expensive: a BTR [armored personnel carrier] or BMP [armored vehicle, infantry] costs from \$9000 to \$10,000 (18-20 million rubles, and a tank, from \$80,000 (or 160 million rubles). Tanks are a commodity that is in short supply. They are at the disposal only of the Shalinskiy Tank Regiment that has been deserted by the Russian Army. Out of more than 200 armored vehicles that were left behind a total of only 30-40 are in running condition. Garrison chief Seyguddin Isayev and regimental commander Ruslan Malsagov have 200 fighting men at their disposal, but they are maintaining an "armed neutrality," while trading in tank spare parts.

Chechen Opposition Leader on Ties to RF Information Administration

944F1291B Moscow OBSHCHAYA GAZETA
in Russian No 32, 12 Aug 94 p 2

[Interview with Umar Avturkhanov, by OBSHCHAYA GAZETA correspondent Seyfali Akhundov, under rubric "Hello!": "The Opposition Does Not Want to Recognize Dudayev"]

[Text] At the present time there are few people who actually understand what is happening in and around Grozny. That situation developed largely thanks to the efforts of certain Russian SMI [mass media], that paint a picture of what is happening by relying on reports supplied by Russian governmental structures and people who sometimes have not visited Grozny. In the attempt to avoid any preconceptions, OBSHCHAYA GAZETA correspondent Seyfali Akhundov made a telephone call to Nadterechnyy Rayon in ChR [Republic of Chechnya] and spoke to president Dudayev's chief opponent, Umar Avturkhanov.

[Akhundov] How do you evaluate the situation in the Chechen Republic?

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[Avturkhanov] It's normal.

[Akhundov] What is your attitude toward the congress of the Chechen nation that took place in Grozny?

[Avturkhanov] The congress took place, and now it's over...

[Akhundov] Aren't you planning to take cognizance of its decisions?

[Avturkhanov] We'll see.

[Akhundov] Will you begin implementing them?

[Avturkhanov] No.

[Akhundov] Do you think that Dudayev has any prospects for remaining in power and changing anything?

[Avturkhanov] No.

[Akhundov] If you come to power, what will you do first of all?

[Avturkhanov] We'll establish a normal life for the nation.

[Akhundov] That's a very complicated question...

[Avturkhanov] We'll put the nation's life on a normal path.

[Akhundov] Certainly the thing that should be resolved first is the problem with money. Don't you agree?...

[Avturkhanov] Everything will be decided.

[Akhundov] Is it necessary to establish normal operations for enterprises and to be concerned about people?

[Avturkhanov] All the questions that have to be resolved will be resolved.

[Akhundov] I heard that you are planning to create a single Vaynakh Republic that will include, in addition to the ChR, Ingushetia...

[Avturkhanov] Yes, I mentioned that in my political declaration.

[Akhundov] What is your attitude to Ruslan Aushev, the president of the Ingush Republic?

[Avturkhanov] You'll have to ask Aushev.

[Akhundov] Did you coordinate that question with him?

[Avturkhanov] No.

[Akhundov] Don't you think this could become the reason for a conflict?

[Avturkhanov] No. Aushev said that he takes a positive attitude to this idea.

[Akhundov] Whom do you see in the position of head of the Vaynakh Republic?

[Avturkhanov] Whoever the nation elects. Without a doubt, an election is what has to be done first of all.

[Akhundov] Do you enjoy Moscow's support?

[Avturkhanov] The support of Moscow and the entire nation of the Chechen Republic.

[Akhundov] Ibragim Abdulkhalidov, prefect of Nadterechnyy Rayon, said that he will drive out the opposition that you head, "by using the forces that he has at his disposal."

[Avturkhanov] He's lying in bed at home. He won't say anything like that ever again in his life.

[Akhundov] Was he beaten up?

[Avturkhanov] Not beaten up. It's simply that he opposed the authority.

[Akhundov] But he himself represents the authority.

[Avturkhanov] In Chechnya there is just one authority—it is the Provisional Council!

[Akhundov] But what about Labazanov? People say that he has gone over to Dudayev's side. Is that really so?

[Avturkhanov] Those are his problems.

[Akhundov] Could you tell me the attitude that the Provisional Council has toward the Information Support Administration of the RF president's apparatus?

[Avturkhanov] A very direct attitude.

[Akhundov] Recently I received a fax from the Daymokkh Society. It contains the outgoing information pertaining to the number from which it was sent. It includes the telephone number of the Information Support Administration of President Yeltsin's apparatus. Could it be that this is simply some kind of error?

[Avturkhanov] Why?

[Akhundov] Don't you think that this is an error? Does the Information Support Administration of the Russian president's apparatus send out Chechen documents?...

[Avturkhanov] Yes, those documents are published in Moscow, in Nalchik, in Kabarda...

[Akhundov] But the Chechen Republic is independent, isn't it? Why is the UIO [Information Support Administration] engaging in these problems?

[Avturkhanov] Because there is a dictatorship in Chechnya. Just look at our position. Whatever they want, they publish. And whatever they do not want, they do not publish.

[Akhundov] But that's your internal affair. Why is Russia interfering in your internal affairs?

[Avturkhanov] What do you mean, internal affairs? These are Russian affairs, not internal ones.

[Akhundov] Could you tell me how, bypassing the ChR government, you received money to pay wages and pensions in Nadterechnyy Rayon of ChR?

[Avturkhanov] What government?

[Akhundov] Don't you recognize Dudayev at all?

[Avturkhanov] Finally you've figured it out!

Book Details Urals Mafia Activities

Excerpts From Book

944F1252A Yekaterinburg URALSKIY RABOCHIIY
in Russian 5 Jul 94 p 5

[Chapter of a book by Stanislav Govorukhin: "Urals Mafia"]

[Text] The name of Stanislav Govorukhin is known to everyone. Now the famous movie director has a seat in the State Duma and is a member of the Russian Democratic Party faction. His most recent book "Velikaya kriminalnaya revolyutsiya" [The Great Criminal Revolution], which appeared in 1993, is currently being disseminated in our oblast. Its printing run is not large, but the readers' interest is being heated up by reviews in the press and by rumors. Our attention was attracted first of all by one of its chapters, entitled "The Urals Mafia," and the editorial office has decided to reprint it so that the readers of this newspaper can learn of S. Govorukhin's opinion and arguments about the criminal situation in Sverdlovsk Oblast.

In the summer we spent some time in the president's hometown—in Yekaterinburg. We were urged to go there, by people saying, "Come on out here. Interesting things are happening here." So we went there.

But first a brief prehistory.

Last year E. Rossel, the administration chief of Sverdlovsk Oblast, requested the government to sell for export rare-earth and rare metals, surpluses of which had accumulated at enterprises in the oblast as a result of the conversion being carried out. By using the currency proceeds from the export it was planned to resolve the acute socioeconomic problems in the Urals region.

Rossel's request was considered quickly. (He's no ordinary man in the street—he comes from the same city that the president does). On 28 February Burbulis (who also comes from Yekaterinburg) held a conference. Gaydar, ministers, and representatives of the administration were present. They reviewed "Russian President Yeltsin's instructions with regard to requests from the administration chief of Sverdlovsk Oblast."

We shall not go deeply into the details. They reviewed the instructions, agreed with them, and decided to help. Take them away, they said. Sell them and resolve your socioeconomic problems. For convenience, even a border point was opened at the airport.

The door to the storeroom where our Motherland's strategic reserves were guarded opened slightly. First a thin stream began flowing to the West, and then it became a mighty river. Despite the obviousness of the currency proceeds from the quotas that had already been granted, the government and the president continue to receive requests to allocate new quotas for various concerns and associations—principally, of course, commercial ones. All this, obviously, without being coordinated with the possibilities of Russia's economy, and without considering the needs of the international market, which was already oversaturated with metals. Everything, of course, was done at low prices that were absolutely unprofitable for the state.

All of this began with a "ridiculously low" request:

- vanadium, 5000 kg;
- gallium, 5000 kg;
- scandium, 3000 kg;
- osmium, 50 kg.

The price of osmium isotope in the international market is from \$60,000 to \$150,000. For one gram!

- indium, 1000 kg;
- tantalum, 500 kg;
- gadolinium, 1000 kg;
- germanium, 5000 kg;
- cobalt, 100,000 kg;
- zirconium, 10,000 kg.

An interesting fact is that the surpluses of zirconium that had accumulated at the enterprises were 10 tons. But licenses were issued for 329 tons! (The figure was taken from a memorandum concerning the results of the work of a special Commission of the General Procuracy. Also contained in that memorandum is the fact that the Tsitron company had been issued a license to export metallic mercury. Metallic mercury is not produced in the oblast, and the total amount of it that is produced in the entire country is 150-180 tons. What was that firm shipping to the West? That's chemists for you!)

The list goes on.

- molybdenum, 5000 kg;
- rhenium, 50 kg;
- europium, 1000 kg.

And so on. Lutecium, cerium, yttrium, terbium. All the metals listed are used mainly in the military industry. It would seem that we had decided to provide strategic materials to our neighbors, including ones who are potentially hostile to us. For many years ahead!

More than 1000 licenses for exporting strategic materials were issued. There are 300 exporter firms. Actually, however, there are many more than that. Four or five middleman structures participated in certain chains—from the plant to the customer abroad.

When exporting rare metals abroad, commercial firms purchased them from the producer plants (frequently in other oblasts) for rubles, at Russian prices. But they were sold for dollars!

What did all this lead to?

The commercial structures became fabulously richer. Billionaires began to multiply by sending out new buds—small branches would stretch out from a large branch, and new leaves would pop out.

The insane growth of white-collar crime could not fail to give rise to a wave of low-level crime. Those on the bottom had no intention, of course, of standing by calmly and observing the white collars get rich—without any efforts, without risking either their life or their freedom.

"Okay, guys, give us our share!" they said.

The dividing up of shares—the "unbuttoning downward"—began. Sometimes voluntarily, and sometimes looking into the muzzle of a pistol. A large number of gangs specializing in extortion appeared in the city. Each gang had its detachment of hit men (sometimes as many as a thousand or more).

Inasmuch as the commercial structures had to "unbutton" a rather large share, they were forced to increase their turnover, to expand their business. Hence the new requests to the government. "Give us more quotas and licenses!" So things really got moving then.

For the time being, let's not consider the other regions. But here, in Yekaterinburg, the government itself brought the crime wave to life. We will have to ascertain whether it did that deliberately or without thinking the situation out carefully. Something in favor of the former hypothesis is the circumstance that all the criminal forces in the city support the current authority. In any referendum they will say "yes" to the Authority. In any situation they will approve any actions of the Authority. It is their Authority. It gave birth to them and now it serves them.

I have not remarked that, within the country, the Yekaterinburg commercial structures are gaining more and more weight. Even in our motion-pictures industry the company that is the sovereign, the monopolist in film rentals is the Yekaterinburg-Art firm in the Urals. It is to that firm that we are indebted for the wretched Americanized menu that Russian motion-picture theaters offer their audiences

Why? Why specifically Yekaterinburg structures?

Because the country's leadership comes from Yekaterinburg.

During Brezhnev's time there were discussions about the Dnepropetrovsk Mafia. Then, since Yeltsin came, we have been hearing more and more frequently about the Urals Mafia and Yekaterinburg structures.

In our country the Mafia is built not the way it is throughout the world—from the bottom up—but from the top down, from a high governmental official.

In this instance, from the president.

Something else that I did not mention:

"Are you looking for the Mafia? It is structured as a presidential vertical line!" (V. Toporov, NEZAVISIMAYA GAZETA, 29 June 1993).

An ordinary person who visits Yekaterinburg while on a business trip may possibly not notice that it is one of the most Mafia-ridden cities in Russia. Wherever the Mafia exists, order also exists. (The newspapers currently interpret this for us intensively.) Order, obviously, that is relative. With the onset of darkness Yekaterinburg, like other cities in Russia, dies. From time to time there are bloody attempts to settle matters. But they also occur in Moscow. However, in Moscow, there are a large number of gangster groups. It is difficult for their leaders to come to any agreement among themselves. It can be said that in the capital the criminal authority is in the developmental process.

In Yekaterinburg the process has been completed. The Urals capital has been neatly divided into three spheres of influence. Three criminal groups control the city.

The "central" group, the "Uralmash" group, and the "blues" (that is, people who have been tattooed, primarily with a criminal record).

Last year Oleg Vagin, the head of the central group, was killed. He was leaving a driveway, accompanied by three bodyguards, and was shot by semiautomatic weapons at point-blank range by assailants wearing masks who had jumped out of a Moskvich that had been parked across the street. Incidentally, Vagin, an authority in the criminal world, had had a life style that was not based on secrecy. His refuge was not in the Urals *taiga*, and not on the edge of town. Rather, he lived in the most prestigious building, where administration chief E. Rossel lives. Also living in the same courtyard is Mikhail Yeltsin, the brother of the president of Russia.

I saw a tape "Vagin's Funeral" that was taken by security workers. Tens of thousands of young people walk past the camera in an endless stream. They are strong, physically trained, reliable warriors in the country's criminal army. Among ourselves we call them "bull terriers." I hope that the likeable beasts will forgive me for making the comparison.

There are armies of "bull terriers" in every city. They even exist in Moscow. Stand up anywhere in the street and look around you. You will immediately spot them in the crowd. They are identically dressed, have identical hair styles, and are approximately the same age. It is a well-organized force. It is capable, when necessary, of putting up a fight not only with the militia and security, but also with army subdivisions.

That force was created chiefly during the past two years as a powerful support for the regime. All of them are definitely in favor of the current order. (We have already mentioned this.)

These young people will never begin working. They will never become bulldozer operators, or lathe operators, or scientists, or the defenders of the Motherland. They have learned what easy money is. They have sampled the sweet taste of blood. The "bull terriers" have just one purpose—to tear to shreds anyone that the boss points his finger at.

On a building close to where Vagin was murdered, a memorial plaque now hangs. There is no need for you to say, "So what? It's a usual situation." Yes, it is a usual situation. In order not to go too far for examples, in Moscow, on Leninskiy Prospekt, a black obelisk has been installed in front of building 92. Inscribed on it are the words, "Here, on 9 June 1993, wonderful guys perished." This obelisk is located just a short distance from the obelisk to Yuriy Gagarin, in front of the Sport Hotel. The local residents write letters of protest, but to whom can they write?

So Vagin's memorial plaque hangs there, and every day there are fresh flowers under it, and children play in the courtyard. Incidentally, they include the president's nephews.

Just imagine the scene. A young kid stands there, looking at the plaque. For him this is a romantic hero! Like Yuriy Gagarin.

The criminalization of the teenager's consciousness is in progress.

Today, being a member of the Mafia is the same as being included in the group of cosmonauts previously. It is just as honorable. I can easily imagine: a teenager, meeting a girl, tells her in a half-whisper that he belongs to the Mafia. In the girl's eyes is mute rapture.

An important role in changing the consciousness of children and teenagers has been played by the newspapers and television; and the movie-maker has an especially large amount of credit for this. I devoted last winter to a study of the motion pictures that had been produced during the past five years. In the overwhelming majority of films, the main hero was a criminal. A thief, a racketeer, a prostitute, a narcotics addict, a swindler, a schemer.

I noticed a strange peculiarity. What is happening? When the authority of workers and peasants existed, the heroes on the screen were workers and peasants. Now, it is the authority of criminals. So criminals have become the heroes. It turns out that we movie-makers devoutly and faithfully serve any authority. If another authority comes, other people will become the heroes of our films.

But for the time being the image on the screen is the realized idealization of the image of the criminal. With this foundation, how can the awareness of the young viewer not change, how can it not shift to the criminal side?

Let's return to Yekaterinburg.

With the insane currency proceeds from the exporting of strategic raw materials, of course, not a single socioeconomic problem of the city or oblast has been resolved.

A cursory view is sufficient.

Over there is a television tower that has not been completely built. For several years they have not been able to reach the top. We lower our eyes and see a chic Chinese restaurant, the Harbin. It took eight months to build it. It is one of the Mafia's nests in the city.

The Inturist [Intourist] building rises above a downtown street. Once again, the construction of two or three of the top stories is incomplete. For several years the ugly framework of the building has been an eyesore. Down below is a lavishly finished office. For example, the European-Asian Company. Do you think that there is anyone in the city who does not know that this is an absolutely criminal structure? The head of the company was shot to death last year by his competitors. Now there's a new boss.

We have set up our camera on a downtown street, not far from the office. To tell you the truth, we did not even know that that dirty company was nearby. All we wanted to do was to photograph life in the city. In about a minute, two "bull terriers" came roaring out of the office.

"What are you photographing?"

"What's it to you?"

"We've got an office here."

"Where?"

They point their finger: it's about 100-150 meters away.

"So?"

"Don't photograph anything! Get out of here!"

"But we're not photographing your office..."

"Get out of here!"

Maybe we would have finished photographing if we had been inexperienced or uninformed. Or if this were not

happening in Yekaterinburg. But we could not finish photographing here. Here it is "They" who are already the complete owners.

The administration for the fight against organized crime is housed in a dilapidated two-story building. The administration promises to give another building, but newer and newer commercial structures keep barring the road.

Recently two mortars were fired at the administration. Two rooms were consumed by fire.

About 50 members of OMON occupy a 20-meter room. They do everything there—they sleep (between trips out of the room on operational assignments), they eat, and they change their clothes. They exercise in a dirty courtyard. They have attached about a dozen old tires to a metal column, and they use them to practice their blows. The people whom these guys are fighting against definitely have, at home or at a dacha, a real gym with all the training equipment, a sauna, and a swimming pool.

It was suggested that I take a look at the late Vagin's dacha, which is under construction. "That would be interesting," I thought, "especially in connection with the commotion about the foundation of the Russian vice-president's dacha..."

So we went and had a look.

What can I tell you? Four stories up, and two down. An elevator, a swimming pool, garages.

It's a palace.

And all around, the same kind of dachas.

Yet we say that the socioeconomic problems have not been resolved. Yes, they have been resolved, but in this rather unusual manner.

They say that the administration chief is also building a dacha like this. I didn't see it. I decided not to. We almost got nailed at Vagin's little dacha. "Bull terriers" came running up with their eyes glazing. "Hey, here's some easy bait! Just three people with a movie camera. Well, they'll sober up right now..."

But the people from OMON jumped out from cover. The "bull terriers" left without taking a bite out of us, growling and yelping from the insult.

In a neighboring village, among the splendor of villas under construction, I noticed a small house—just about a single room—that was not completely built.

"What kind of miracle is this?"

"Our village French teacher is building it. He dug the foundation with a shovel. He lifts all these slabs by himself, using a crowbar. This is the third year that he has been unable to put on the roof."

I'll put it to you this way.

Just for what has been done to Yekaterinburg, which quite recently used to be a healthy city of workers, the guilty individuals ought to be judged by a strict and merciless court.

Local Officials on Publishing Excerpts

944F1252B Yekaterinburg URALSKIY RABOCHIIY
in Russian 5 Jul 94 p 5

[Editorial note, authors as indicated below: "Editorial Note"]

[Text] The very act of reprinting a chapter from S. Govorukhin's book has raised the questions: is the author correct in everything that he has stated; what do the local authorities and law-enforcement agencies think about this; and are steps being taken? We think that those are the questions that our readers are also most interested in. That is why the editorial office asked interested managers what their opinions and actions were. A month has elapsed and we have received only three answers, which we are offering for the reader's attention. The government, the Duma, and the oblast procuracy have preserved their silence. We shall refrain from making any reproachful statements about them. They may have certain plans of their own for fulfilling the Edict of the RF President concerning emergency measures to fight gangsterism and they may want to hold their cards close to their chest.

So, judge for yourselves...

In a Simplified, Improper, Old Manner

V. Vorotnikov, chief of the Sverdlovsk Oblast UVD [Administration of Internal Affairs], colonel of militia:

Having become acquainted with a chapter from S. Govorukhin's book "Velikaya kriminalnaya revolyutsiya," I would like to say that I share the author's opinion concerning the danger represented by the growing criminal society, and primarily, youth, concerning the seriousness of the situation in the city of Yekaterinburg, and concerning the problems of the law-enforcement agencies.

At the same time, without disputing in any way the right of a newspaper man to publish this material, I would like to discuss several arguments which, in my view, make this undesirable (I emphasize that this is my personal position).

Govorukhin describes in an oversimplified manner the reasons for the sharp increase in crime in Sverdlovsk Oblast, reducing them only to the uncontrollable misappropriation of raw-material resources, but in so doing he completely fails to take into consideration a number of socioeconomic and criminological factors (for example, the oblast's oversaturation with corrective-labor institutions, etc.).

The author's accusations directed at the President of Russia and a number of other officials and firms are insufficiently proper or proven.

The chapter of the book deals chiefly with incidents that are two or three years old, that are widely known, and that have been repeatedly verified by various commissions, whose conclusions have been published in the press.

I am convinced that URALSKIY RABOCHIY has all the opportunities for informing its readers in a more objective and more timely manner about the state of crime in Sverdlovsk Oblast, and UVD is ready to continue cooperation in this direction.

Let Govorukhin Help

G. Voronov, chief of the Federal Counterintelligence Service's [FSK] Administration for Sverdlovsk Oblast, major general:

Sometimes you have to envy newspaper writers and movie-makers. They are able, in a sharp, public-services form, and in a very emotional manner, to express their attitude to various facts and tendencies. And, by thus attracting the public's attention to them, to perform their social role.

But we have a different role: we have to stop crime, while operating at such time without emotions, strictly on the basis of legislation, and in that zone of responsibility that has been outlined for us by the law. Therefore I shall touch upon only the episodes of "licensed contraband."

Our intelligence service and the oblast's law-enforcement agencies have not been inactive. Last year we returned to the state tens of billions of rubles, by stopping criminal activity in the sphere of the economy. We could have done more. But in the obsolete legislation, which at times does not reflect the peculiarities of today's situation, frequently nothing is said about crimes which, from the point of view of common sense, are obvious ones.

In Russia, "people are stealing" nowadays, just as they used to in the past. There would seem to be no guilty individuals. There would seem to be no justifications for stopping the stealing. As a result, we cannot sell the operational materials that we have—those pertaining to smuggling, corruption, and certain other questions.

Therefore we hope that Stanislav Sergeyevich Govorukhin will show himself to be not only an important artist who is seriously concerned about the fate of a world power, but also a delegate to parliament whose actions will largely affect the adoption of modern legislation, including in the area of economic and officials crimes, and, consequently, the effectiveness of the work performed by the FSK.

The Problems Are Natural Ones

V. Mashkov, RF President's representative for Sverdlovsk Oblast:

From the point of view of public-affairs commentator S. Govorukhin, everything is clear and understandable—

thieves in the government and in the presidential structures are creating their own structures in the regions and are robbing Russia. Hence the simple resolution of the global problem itself pops into his head: banish the president, together with his crooked government, and install the entire army of people on the bottom.

Really, now, Mister Govorukhin! Do you yourself really believe this? The next wave of administrative functionaries is even worse, and you are well aware of that. So what are we dealing with? Selfishness or failure to understand things completely?

And, of course, there is special discussion of the exporting of the raw-materials resources of Sverdlovsk Oblast. First, it was precisely the stealing of the wealth here that created a favorable environment for the unprecedented flourishing of organized crime, when entire cities are controlled by criminal authorities.

Secondly, it is generally known that appetite comes while eating. So the unmonitored disposition of the oblast's resources—of course, in people's own interests—brought to life such an interesting phenomenon as regional separatism. It is understandable that the creation of the Urals Republic would make it possible for the elite in power, under the leadership of E. Rossel, to expand the use of mineral resources, and the sphere of their influence, and, on the other hand, to reduce to the minimum the possibility of the federal authorities to stop their activities. For example, unique Urals emeralds have been offered on terms for handing them over to international monopolies that are obviously unprofitable for our oblast.

And, finally, thirdly, so much has already been written and said, from the most varied rostrums, concerning the exporting of strategic resources and materials that you have to marvel at how the "hero" exporters can get their hands on everything, and how the voters, after that, can make such a choice. Verily, Russia cannot be raised by the mind.

As we can see, the problem is considerably more complicated and more subjective than the reasons upon which Govorukhin attempts exclusively to build his conclusions, and which are definitely not the most important ones. First of all, the problems have as their basis objective laws governing the country's transition from gigantic, no-man's (that is, statewide) property to division among completely concrete, tangible individuals.

For example, recently privatization has sharply reduced the statewide property that has long been ardently loved by us. And with increasing frequency those who are "shepherding" it are beginning to dip into one another's pocket. Life has shown us that, when dividing up what does not belong to anyone, no one needs any rules of the game, and as soon as this property that does not belong to anyone becomes private property, suddenly people begin to work actively on the legislative base. It is very

complicated to control this process, although by an effort of the will of various individuals its negative consequences can and must be weakened to the tolerable level. First of all it is necessary to become aware of the danger of the formation in the regions of monopolistic Mafia clans, which are capable of seriously destabilizing the situation in the country. Because the activities of these clans is fraught with the arising of new regional conflicts that are capable of developing into civil war.

The need for the formation of market relations and the development of the "rules of the game," on the one hand, and the need to divide the spheres of influence among the newly created financial and industrial groupings in the regions and between the regions and the Center, on the other hand, are already forcing society to change over today to the accelerated creation of the legal base for protecting various forms of ownership and the rights of the individual, to the development of a system of state monitoring, to the fundamental reinforcement of all links in the apparatus of administration, and primarily the law-enforcement system.

Incidentally, it has become known that the government of Russia recently approved the comprehensive program for the fight against crime, which program, I happen to know, reflects those basic problems that I have mentioned.

Muscovites Form Consumer Rights Protection Organization

944F1297A Moscow ROSSIYSKIYE VESTI in Russian
17 Aug 94 p 4

[Article by Anna Lobanova, under rubric "Goods and Consumers": "Mosfond" Will Help Us"]

[Text] "Mosfond" [Moscow Fund], an interregional fund for the protection of consumer rights, has been formed in Moscow. The initiators of this noncommercial organization with the Antimonopoly Administration of the city of Moscow, and "Rostest-Moskva," of Russian Gosstandart [RF Committee on Standardization, Metrology, and Certification]. The founders of the fund include 25 organizations and enterprises in Moscow and in Moscow Oblast. The person elected as chairman of the fund's board of director was Oleg Novikov, chief of the Moscow Antimonopoly Administration, and doctor of economic sciences. We asked him to discuss the fund's goals and tasks.

"Under modern-day conditions," Oleg Novikov said, "the problem of defending the consumers' rights is a very serious one. Because in recent years our market has been flooded with substandard and inferior goods, sometimes sold past their expiration date, which are dangerous for people's life and health. In 1993, 51,000 Russians perished as a result of poisonings by substandard alcoholic beverages! That number is larger by a factor of 4.3 than at the peak of the 'fight against alcoholism.' The number of victims of food poisonings and traumas today has taken second place, surpassing the fatality rate for oncological diseases.

"In our antimonopoly administration and in the oblast antimonopoly administration, the Moscow Consumers Union receives numerous complaints from the population. The stream of complaints has been increasing with every passing day. Whereas in 1993 a total number of 300 cases were reviewed, during the first six months of this year alone 400 cases were reviewed. Almost all of them were resolved in favor of the consumers.

"The consumer's chief weakness," Oleg Novikov feels, "is that, in relations with producers, trade organizations, the sales system, or an official, he himself is, as a rule, a nonprofessional. Therefore, when entering into a conflict with organizations that have their own lawyers, commodity experts, economists, and advertising specialists, the consumer most frequently is unable independently to defend his rights, which were granted to him by the Law entitled 'Protection of Consumers' Rights.' Incidentally, in conformity with that law, provision has been made for the creation under the local administration of special agencies to defend consumers' rights. They must review Muscovites' complaints, must advise them with regard to questions of legislation concerning the protection of consumers' rights, must collect information concerning the inflicting of harm to their life, health, or property, and must report this to the appropriate services of GKAP [State Committee for Antimonopoly Policy and Support of New Economic Structures], RF Gosstandart, and other agencies of state administration which have been given the exclusive right to impose administrative penalties, including sanctions in the form of fines, within the confines of their competency.

"The Moscow Antimonopoly Administration made repeated attempts to create such special agencies under the city government, the prefectures, and the municipal districts. A methodology has been proposed for their interaction with agencies of state monitoring and administration. However, the capital's government took a simpler path, by commissioning the resolution of the problem of protecting the consumers' rights to the Consumer Market Department and by increasing the staff in the Moscow city trade inspectorate in the districts. But that measure substantially limits the possibilities for protecting the consumers' rights in the sphere of other services (repair of household appliances, medical and municipal services, transportation, communication, etc.).

"Therefore, on the initiative of the founders, the Moscow Interregional Fund for the Protection of Consumers' Rights ('Mosfond') was created. It forms its own services made up of professionals, which are independent of the state and business, and which work for the consumer.

"It is possible to isolate three basic tasks that the fund sets for itself:

"—the identification of goods (operations, services) that are potentially dangerous for a person's health;

"—the prevention of the appearance of those goods (operations, services) in the market;

"—the timely informing of the population about this.

"Our fund is able, on the basis of 19 centers and laboratories being created by enterprises in Moscow and in the oblast, to conduct independent analyses and certification of goods, operations, and services.

"'Mosfond' will carry out legal protection (including in court) and render skilled legal assistance to the population. A large amount of importance is attached to developing educational work on protecting the consumers' rights and interests.

"Investment plans already exist for producing high-grade types of goods. The creation of commercial enterprises of various forms of legal organization that deal with problems of the consumer movement will promote the more effective development of the market. In addition, it is planned to conduct sociological research and philanthropic measures.

"The interregional fund intends to adhere to the generally recognized, time-tested work principles. It will participate in developing the requirements and standards for the safety of goods (operations, services). The fund is ready to submit to agencies of state administration and to enterprises, organizations, and institutions its recommendations concerning measures for improving the quality of commodity and for removing from production and withdrawing from circulation any goods that are dangerous to consumers' life, health, or property, or dangerous to the environment. 'Mosfond,' jointly with the appropriate agencies of state administration, will take active part in monitoring the application of the prices being regulated.

"I want to reemphasize that the fund operates as an independent, noncommercial, self-governing organization with a social orientation, on the basis of a charter and the voluntary unification of Russian and foreign legal entities, and does not set as its goal the obtaining of profit.

"The fund's sources of financing are fixed founding deposits, membership entrance fees, and income from the carrying out of philanthropic actions and the activities of commercial enterprises that were created with the fund's participation in Russia and abroad."

Fund address: 113035, Moscow, Ulitsa T. Makarovoy, building 12.

Telephone numbers: 231-49-84, 231-08-69.

Procedures for Receiving Supplemental Location Pay Explained

944F1297B Moscow ROSSIYSKIYE VESTI in Russian 17 Aug 94 p 4

[Article by Vyacheslav Fokin, candidate of legal sciences, under rubric "Man and Labor": "Supplemental Location Pay for Northerners"]

[Text] The letters sent to the editorial office include many questions requesting an explanation of the procedure for establishing and computing work longevity for purposes of paying location-pay supplements to persons working in the rayons of the Far North, localities equated to them, in the southern rayons of the Far East, Krasnoyarsk Kray, Irkutsk or Chita oblasts, or the republics of Buryatia, Tuva, and Khakasia. To the existing legally binding acts has been added another one—an explanation by the RF Ministry of Labor, dated 16 May 1994, No. 7.

The document named explains a number of important principles. In particular, it has been defined that work longevity that gives a person the right to have location-pay supplements added onto his wages in the indicated territories and in localities that are equated to them is computed for persons who have been working for hire since the day that they began working at the enterprises and institutions situated in the enumerated localities.

Work longevity that gives a person the right to have location-pay supplements added onto his wages in the enumerated rayons, beginning on 1 June 1993, is totaled irrespective of the periods of interruption in work or reasons for terminating labor relations, except for dismissal for guilty actions.

It is not excessive to recall that work longevity is not totaled if a person arrives on the job after the termination of a work contract for such reasons as: the going into legal effect of a court sentence by which the worker has been sentenced to deprivation of freedom [incarceration], to corrective labor at other than his place of work, or to another punishment that precludes the possibility of continuing that work; consistent failure, without valid reasons, to fulfill the duties imposed by the work contract or the rules governing internal labor conditions; absenteeism (including absence from work of more than three hours during the course of the work day) without valid reasons; appearance on the job in a drunken state, or in a state of narcotic or toxic intoxication; loss of confidence on the part of the administration in a worker dealing directly with monetary or commodity assets; commission by a worker executing educational functions of an immoral act that is incompatible with his continuation in the particular job; the commission by a worker at his place of work of a theft, including petty theft, of state or public property, that has been established by court sentence that has gone into legal force or by a decree issued by the agency whose competency includes the imposition of an administrative penalty or the application of measures of public influence; the requirement by a trade-union agency (at no lower than the rayon level) concerning the abrogation of a work contract with a managerial worker; dismissal as a disciplinary punishment imposed in conformity with the charters or the statutes governing discipline; or the commission by the worker of other guilty actions for which legislation has stipulated dismissal from work.

If a worker who has work longevity that is necessary for receiving the location-pay supplement transfers to a job at an enterprise situated in another rayon or locality (from among those previously listed), the location-pay supplement to be added onto his wages is recomputed proportionally to the time that has been worked in the appropriate rayons (as listed above) in the procedure established for a new place of work, with the observance of the following rules.

First, in the event that a worker transfers from an enterprise situated in rayons of the Far North to an enterprise situated in a locality equated to rayons of the Far North, the size of the location-pay supplement is established by computing a one-percent supplement for each 12 months that were worked in the rayons of the Far North.

Secondly, a worker having work longevity in rayons of the Far North for two years and nine months and having a wage supplement in the amount of 50 percent, in the event that he transfers to a job at an enterprise situated in a locality equated to the rayons of the Far North, must receive a wage supplement in the amount of 28 percent, computed as follows: for the full two years (24 months, 20 percent; and for the nine months, 7.5 percent (9 month : 12 months x 10 percent; total 27.5 percent. During this computation, any fractions of a percentage that are formed with a value of 0.5 or more are rounded off to a whole number, and those with a value of less than 0.5 are disregarded.

According to the established procedure, the next percentage supplement must be calculated according to the general rule from the moment that the worker transfers to an enterprise situated in a locality that is equated to rayons of Far North, in the amount established for that locality.

Thirdly, in the event that the worker transfers from an enterprise situated in a locality that is equated to rayons of the Far North to an enterprise situated in a rayon of the Far North, the total amount of the location-pay supplement (computed as a percentage) computed for complete years of work is retained at the previous amount, and for the months that have been worked in excess of that an additional location-pay supplement is computed in proportion to the number of months.

The next location-pay supplement must be computed in the general procedure, six months after the moment that the worker transfers to an enterprise situated in a rayon of the Far North, in the amount established for that rayon. At such time, in the event that the worker transfers from an enterprise situated in localities equated to rayons of the Far North to an enterprise situated in a rayon of the Far North, and that worker had previously transferred to a job in that locality from rayons of the Far North, the total size of the location-pay supplement that is to be added to his wages (computed as a percentage) must be determined by totaling the location-pay supplements earned by him at each of those enterprises. I might

note that the total size of the location-pay supplements added onto the wages in this instance must not exceed the established limit.

The same procedure has been established for determining the size of the location-pay supplements for a worker who transfers from an enterprise situated in Chukotka Autonomous Okrug, Severo-Evenskiy Rayon of Magadan Oblast, the Koryak Autonomous Okrug, Aleutskiy Rayon of Kamchatka Oblast, or islands of the Arctic Ocean and its seas (with the exception of the islands in the White Sea) to a job at an enterprise situated in other rayons of the Far North or in localities that are equated to rayons of the Far North, or vice versa.

In the event that a worker having work longevity that is necessary for receiving a location-pay supplement transfers from an enterprise situated in the southern rayons of the Far East, Krasnoyarsk Kray, Irkutsk or Chita oblasts, or the republics of Buryatia, Tuva, or Khakasia, to an enterprise situated in a rayon of the Far North or a locality that is equated to rayons of the Far North, he retains the percentage supplement that he has earned.

The next percentage supplement for that worker is computed in the general procedure six months after the day that he transfers to an enterprise situated in a rayon of the Far North, or one year after the day of transfer to an enterprise situated in localities that are equated to rayons in the Far North. In the event that, as of the moment that the worker transfers to an enterprise situated in a rayon of the Far North or a locality that is equated to rayons of the Far North, the percentage supplement added onto his wages has not been earned completely or its size constitutes less than 30 percent, the amount of work time after the computation of the first or second supplement is recomputed as follows: a year of work in the southern rayons of the Far East, Krasnoyarsk Kray, Irkutsk or Chita oblasts, or the republics of Buryatia, Tuva, and Khakasia for three months of work in rayons of the Far North, and for 5 months of work in localities equated to rayons of the Far North.

In the event that a worker having work longevity that is necessary for receiving a location-pay supplement transfers from an enterprise situated in a rayon of the Far North or a locality that is equated to rayons of the Far North to an enterprise situated in southern rayons of the Far North, Krasnoyarsk Kray, Irkutsk or Chita oblasts, or the republics of Buryatia, Tuva, Khakasiya, and then back to rayons of the Far North or localities that are equated to rayons of the Far North, he is paid the supplement that he earned in rayons of the Far North or the localities that are equated to rayons of the Far North.

Moscow City Duma Deputy on Nuclear Reactors, Potential Dangers

944F1314A Moscow KURANTY in Russian 5 Aug 94
p 4

[Interview with Vladimir Katushenku, deputy of the Moscow City Duma, by Nikolay Figurovskiy under

"Nation and Authority" rubric: "The Echo of Chernobyl Is Still Heard on the Streets of Moscow"; date and place not given]

[Text]

[Boxed material] V.K. Katushenku, 41, has been in the armed forces since the age of 17. He finished the Military Academy for Chemical Protection. He has more than 100 inventions and scientific works. He is a specialist on the problem of reducing environmental pollution. He was awarded the Order of the Red Star for his participation in cleaning up the accident at the Chernobyl Nuclear Power Station. He is a coordinator of the duma for questions of charity and social security for those suffering from the effects of technology.

[End box]

This year marked the eighth anniversary of the terrible day when they reported to us on the "technical malfunctions" at the Chernobyl Nuclear Power Station. The echo of the accident at Chernobyl is still heard in many cities of Russia, Ukraine, and Belarus. Nor did it bypass Moscow: there are thousands of people involved in the Chernobyl cleanup living in the capital. And there is still the problem of nuclear reactors within the city limits. We talked with Vladimir Katushenku, deputy of the Moscow City Duma, about these and other problems.

[Figurovskiy] Vladimir Kuzmich, the Moscow Council once made a decision to close all reactors located in the territory of Moscow. This decision was not fully implemented. Do nuclear reactors represent a danger for the city?

[Katushenku] Certainly the reactors in the city territory are a constant source of great danger. And it is not even a matter of the danger of an explosion, for even industrial discharges may represent a danger: it is no secret, for example, that the nuclear power installations of the Institute imeni Kurchatov are located not far from the Moscow River in the rayon of Cerebryanny Bor. Other potentially dangerous facilities are located in the same rayon.

Nevertheless, it is difficult to say that the arbitrary decision to shut down reactors was reasonable. In the first place, many of them such as, let us say, the reactor at the Kurchatov Institute are included in programs of importance for the entire nation and it is not our business to interrupt them. Secondly, to shut down reactors means that tens of thousands of Muscovites who work in their servicing and support and so on out would be thrown out on the streets.

Still, this problem must be resolved. The reactors must not be closed but moved out of the city to prepared scientific bases beyond the MKAD (Moscow Circular Automobile Road) or even to neighboring oblasts. But this requires careful scientific preparation and enormous funding, which you understand is now simply lacking.

[Figurovskiy] What should be done?

[Katushenku] I am opposed to arbitrary decisions and I think that it must be economically disadvantageous to pollute the environment. Unfortunately the Moscow Council professed a different ideology and instead of establishing a serious normative base it frequently limited itself to populist decisions. The civilized approach to this matter must provide for the payment of compensation to the inhabitants for losses from institutions and departments that contaminate the environment or that create a potential danger. In this event, the dangerous facilities will be closed or moved out of Moscow under economic influences without administrative pressure.

[Figurovskiy] One of the directions of your work in the city duma is social assistance to those suffering from technological influences. Could you talk about this problem in more detail?

[Katushenku] It is no accident that I took on this work in the duma. In my electoral district (and this is Strogino, Shchukino, and Khoroshevo-Miyevniki), there are a number of institutions having to do with nuclear problems. Their workers have been subjected to the effects of ionizing emissions and to some degree or other they need help. In addition, there are many institutions in Moscow where the people work under harmful and especially harmful conditions. I personally know about their work and want to help. But still, the most painful subject for me is Chernobyl.

[Figurovskiy] Today, more than eight years later, how do you see the consequences of Chernobyl?

[Katushenku] A great deal has been said and written about Chernobyl but no publication is reflecting the true scope of the consequences of this disaster. More than seven years ago, Dr. Gale predicted a burst of illnesses among the victims. Optimists from our state medicine contrasted this with the rosy picture of "insignificant danger as a result of the effects of radiation on people." But life confirms the prognosis of the world-renowned scientist.

More than 800,000 people took part in the elimination of the consequences of the accident over three years. There were 33 deaths in 1986. By 1991, the number of those dying from illnesses related to the cleanup exceeded 7,000. And the number of disabled of different groups amounted to more than 2 percent. By the beginning of 1994, the figure of 2 percent was already the number of dead; 4 percent were disabled.

These gloomy figures show graphically the danger of the existing situation and reflect the dynamics of the increase in illnesses having to do with the Chernobyl disaster. An analysis carried out by the Moscow Scientific Research Institute for Diagnostics and Surgery shows the following picture: of the total number of persons falling ill, 11 percent had malignant tumors, 32 percent had general illnesses, and 44 percent illnesses related to

neurological disorders. Finally, 13 percent of those becoming ill end their lives through suicide....

At the same time, it is necessary to remember that those participating in the cleanup of the accident at Chernobyl Nuclear Power Station were healthy young men! The indifference of bureaucrats, the improper execution of the law on the social protection of citizens, and frequently direct violations of the law led to a situation where many of them could not cope with the problems that they faced and preferred to give up their lives. Here is an example: 40 out of 1,400 helpers in Tambov Oblast ended their lives through suicide.

[Figurovskiy] According to official information, how many of the participants in the cleanup of the consequences of the accident at the Chernobyl Nuclear Power Station live in Moscow?

[Katushenku] There simply are no official data, because different departments—the Ministry of Defense, the Ministry of Atomic Energy, social security, and various public organizations—name different figures. According to my information, there are about 25,000 helpers and 1,500 Chernobyl-disabled living in Moscow.

[Figurovskiy] Is the state doing anything for the people from Chernobyl? How about city authorities?

[Katushenku] The state has passed a number of legislative acts recently that may resolve many problems of the helpers. But, as usual, the lack of budgetary resources is hindering the resolution of all urgent problems. Here it is quite obvious that there is a need for nonbudgetary sources of financing. The law on social protection makes it possible to find such sources through the economic activity of the public organizations of the people of Chernobyl and their enterprises, which would benefit from tax and credit advantages.

A number of edicts and decrees have defined the priority of laws on social protection in the country's legislative system but those same state agencies and bureaucrats passed laws and related acts that restricted documents with a social orientation or made them nonviable.

By the way, it cannot be said that the privileges were always repealed without justification. In some cases the losses to the budget were much greater than the share of the means that public organizations and their enterprises obtained from the advantages and provided to aid the people of Chernobyl.

[Figurovskiy] So what is the reason for the obvious ineffectiveness of nonbudgetary sources of social assistance? What do you see as the way out of this situation?

[Katushenku] There are many reasons here. The main one is the granting of privileges to public organizations irrespective of the social programs that they carry out. The seemingly obvious idea of the necessity to provide supplemental funds for the needs of specific victims and above all disabled persons, the sick, and individuals

receiving increased doses was not protected either by normative acts or by the instructions for their introduction. It seems to me that the way out is course taken by the Moscow City Duma.

[Figurovskiy] Tell about this in more detail.

[Katushenku] In the scope of the Moscow tax legislation of 1994, for the first time an attempt was made to protect the needs of the people from Chernobyl with a minimum participation of guiding structures of public organizations. Additional privileges foreseen under Moscow laws are granted to provide medical assistance only to specific persons disabled as a result of the Chernobyl disaster.

We see that the approach that we have chosen is correct under one distinct criterion: the leadership of a number of Chernobyl public organizations is not showing the slightest interest in participating in the realization of the new privileges. Some officials from Chernobyl do not want to make the effort even to disseminate information on those disabled persons in need of treatment and rehabilitation, because the new laws do not permit the use of money for other than its designated purpose.

In the pages of KURANTY, therefore, I want to propose to disabled persons from Chernobyl living in Moscow and to their relatives that they appeal to me in the Moscow City Duma. I promise that not a single one of them will remain without help.

Muscovites Polled on Anniversary of '91 Coup

944F1314A Moscow MOSKOVSKAYA PRAVDA
in Russian 3 Aug 94 p 3

[Results of telephone poll: "Do You Still Remember That There Was a Coup Three Years Ago?"]

[Text]

"Do you what event took place in August 1991?":

—Yes, I know—98.2 percent—No—1.8 percent

—"Name this event":

—Yeltsin came to power—46 percent

—There was a revolution—16 percent

—They deposed the communists—12 percent

—The democrats were victorious—12 percent

—They deposed Gorbachev—8 percent

—The political system in the country was changed—7 percent

"Has your opinion of the events of August 1991 changed over the last three years?":

—Yes, it has changed—46 percent

—No—38 percent

—I do not know—16 percent

"If today you were an eyewitness of the events of August 1991, whom you would support?":

—Gorbachev—3 percent

—The GKChP [State Committee for the Extraordinary Situation—17 percent

—Yeltsin—26 percent

—Someone else—2 percent

—No one—52 percent
 “What assessment do you give to the changes that have taken place in the life of Russia over the last three years?”
 —Unconditionally positive—7 percent
 —Basically positive—16 percent
 —Partly positive and partly negative—27 percent
 —Basically negative—32 percent
 —It is hard for me to answer—18 percent
 “What you like to return to the state of affairs existing until 1991?”
 —Yes, I would—31 percent
 —No—42 percent
 —It is hard for me to answer—27 percent
 “What do you think, will your life be better or worse by August of next year?”
 —It will be significantly better—3 percent
 —It will improve insignificantly—16 percent
 —Most likely there will be no change—21 percent
 —It will be worse—43 percent
 —It is hard for me to answer—17 percent
 (817 persons participated in the telephone survey. The data are given in percent of the total number of those polled).

Maritime Kray To Increase Pension Rates

944F1306A Vladivostok KRASNOYE ZNAMYA
 in Russian 18 Aug 94 p 1

[Article by Sergey Glushkov: “Maritime Will Receive 1.5 Times More Pensioners Than the Average for Russia: Kray Governor Yevgeniy Nazdratenko Gave Assurances of That.”]

[Text] The head of the Maritime Kray administration gave pensioners a gift on the eve of his retirement. The amount of the pension for all pensioners will be increased by a factor of 1.51, while throughout Russia, on instructions from President B. Yeltsin, the indexation will be 1.15.

Yevgeniy Ivanovich made this announcement at a news conference last Tuesday. And before it began, he apologized to the journalists for the delay: He had just completed negotiations with Prime Minister of Russia V. Chernomyrdin. And he had reached agreement on this decision. The pension fund created on the territory of Maritime makes it possible to do this, the governor said. People need not worry: the money will be paid.

“Could it not happen that you make your promise but for some reason the money does not appear?” followed a question from the journalists.

“When we were figuring out what was being done with the pension fund,” noted the administration chief, “we came to understand that it is so large that we can confidently guarantee payment of pensions on time with the new indexation. It was not easy to reach such a decision, because the kray has 400,000 pensioners today.

But because of the fact that Maritime is a highly developed industrial kray, the pension fund is large enough for our assurances to be carried out. Actually, everyone will receive a pension according to the new indexation in December. And for those who receive it according to the old indexation, the pension will be recalculated.”

Naturally, the journalists, like all Maritimers, were bothered by the Kuril issue and the governor's statement about the need to annex the islands to Maritime.

“Yes, we worked on that issue,” the governor answered. “All of the corresponding levels of authority have sent letters giving arguments showing the need to adopt this decision. That is the state approach. We are appealing to the head of government, V. Chernomyrdin, for help in studying this problem. Viktor Stepanovich promised to come to Maritime Kray during 15-20 September. But the question of the status of Maritime Kray will be resolved first.”

The question of preparations for winter did not escape the governor's attention. What is especially impressive is the fact that after the general director of Gosugal, Yu. Malyshev, arrived in Maritime Kray, they managed to “scare up” R63 billion for the development of the kray's coal industry.

“There is enough coal in Maritime Kray,” said the governor. “But we must think about the future. And the main thing is that new technology has been promised for the Luchegorsk mine. This means that there will be electric energy.”

So there will be money and there will be heat. We will not go hungry—this means we will make it through the winter.

Vladivostok 1993 Demographic Figures Eyed

944F1306B Vladivostok VLADIVOSTOK in Russian
 18 Aug 94 p 3

[Report from the city statistics department: “Vladivostok Population Decreased by 600”]

[Text] The population of the city of Vladivostok decreased by 600 in 1993. There are many reasons for this: the decline of the birth rate, the growth of the death rate, and migration, which, in turn, was brought about by a number of factors related mainly to the city's economic situation.

Last year there were 8.7 percent fewer births per 1,000 Vladivostok residents than in 1992. In 1993 there were a total of 5,579 births in the city.

As a rule, women from 20 to 24 years of age are giving birth. They gave birth to 2,376 children or 42.5 percent of all the newborns. For women from 45 to 49 years of age there was only one child born.... Young women (up to 20 years) gave birth to 769 children, which is 13.8 percent of the overall number of births.

Last year 43 mothers gave birth to twins, and there was only one case in which triplets were born. There were no births of larger numbers of siblings in Vladivostok in 1993. More than half of the newborns (51.4 percent) were male.

But it is gratifying that in 1993 the level of the death rate of children under one year of age decreased by half as compared to 1992. Nonetheless the death rate of newborn children amounted to 100: Fifty-four boys and 46 girls died during birth as a result of birth complications (22), pneumonia (12), birth trauma (4), and other factors (52). Three women from 20 to 24 years of age died in childbirth.

Because the life of the people became considerably worse in 1993, a reduction of the number of births was caused by the unwillingness of women to give birth to second or third children.

The number of Vladivostok residents who died was 7,891. Of these there were 4,604 men and 3,287 women. Moreover, while 2,520 men of working age died, among the women who died, 2,565 were from 55 to 70 years of age and older. This confirms once again the opinion that women live longer than men.

In 1993 67 children under 14 years of age died: The deaths of 35 boys and 32 girls were registered.

The most widespread causes of death in 1993 among men and women were acute myocardial infarction (288 men and 171 women died of this), malignant tumors of the digestive organs (239 and 139), malignant tumors of the respiratory organs (229 and 62), breast cancer (69 women), and diseases of the digestive organs (126 and 99).

Such a disease as cirrhosis of the liver was the cause of death of 85 people, mainly men, which in general is not surprising. Tuberculosis of the respiratory organs can also be called a disease of men: Last year 98 men and 9 women died of this. And women are more frequently afflicted with psychological diseases. Thus in 1993 there were 23 deaths of women with the cause being psychosis.

Alcohol abuse led to the death of 88 men and 28 women. Of this number 15 men and 11 women died of chronic alcoholism, 62 men and 17 women died of alcohol poisoning, and 11 men died of alcoholic psychosis.

In 1993 in Vladivostok there were 242 cases of suicide, and for every one case of suicide of women, there were three suicides of men.

There were 576 who died in accidents. More than half of them were traffic accidents: 205 men, 82 women, 12 children under 14 years of age, and four teenagers.

In Vladivostok 398 of the people who died in 1993 were killed, with 314 men and 84 women dying in these criminal incidents.

Novosibirsk's Economic Stability Viewed

944f1350A Novosibirsk SOVETSKAYA SIBIR
in Russian 23 Aug 94 p 2

[Article by Nikolay Ukhin under the rubric "Financial Survey": "The Law Has Been Scorned—Millions Have Not Saved"]

[Text] In spite of repeated assertions from government leaders about the imminent stabilization of the economy, the decline of production continues and inflation is in no hurry to put the brakes on its destructive race. As compared to last year, the average monthly wages in our oblast increased 4.5-fold, but inflation is literally eating up all the incomes, turning them into soap bubbles. The decline of production during the half year amounted to more than 34 percent, and for enterprises of the defense complex—44 percent. Construction activity is decreasing in all areas. Many enterprises of the oblast are operating at a loss.

Naturally, under these conditions, things are becoming more and more difficult for tax organs. The decline of production, the growth of prices, the settlement-payment crisis—all of these have a negative effect on the formation of the tax base and on the receipt of funds into the budget, which is shown by the results of monitoring work done by the State Tax Inspectorate for Novosibirsk Oblast during the first half year.

The number of taxpayers that are legal entities in the oblast increases by hundreds each month. During the first half year, this number increased by 3,500. But, regardless of how many people may be added to the tax inspectorates, the volume of work for each specialist continues to grow. Each of them is forced to monitor many dozens of enterprises and organizations: Just get a move on!

During January-June alone, tax inspectorates had to document the inspection of almost 39,000 enterprises and organizations. And they discovered violations of tax legislation in 18,395 of them. They gave no indulgences for those who sidestepped the law. In addition to regular fines, they also had to pay into the budget more than R189 billion, of which R172.1 billion was financial sanctions and penalties. The total of taxes and other payments from enterprises and organizations amounted to more than R657.9 billion and from individuals—more than R1.9 billion. While other revenues into the budget during the seven months amounted to R732 billion.

Could there have been more? Yes. It should be emphasized that during the half year the amount of taxes and other payments collected was less than was intended. The budget assignment was not fulfilled for any of the main kinds of taxes. It failed to receive more than R90 billion in profit tax, more than R49 billion in value-added tax (VAT), and R8 billion in excise taxes. Both the federal and the territorial budgets became "slimmer" by

many billions. As we can see, the losses were considerable. There is no need to look far for the reasons, they lie on the surface: the collapse of the economy, the low level of effective demand of the enterprises and organizations, and the inadequate payment discipline. There are also certain shortcomings in the work of tax inspectorates. Tax arrears are snowballing, and, as of 1 July, they amounted to R201.5 billion. This is almost one-third of the overall sum of revenues for the six months. The situation had not changed for the better as of 1 August.

As we can see, the situation is not one of the easiest ones. Nonetheless, the tax inspectorates in the rayons, the city, and the oblast as a whole are exerting immense efforts to mobilize taxes and other payments and are demanding high payment discipline. Take the profit tax, which has brought the lion's share of funds into the budget—R185.1 billion. The inspectorates have documented the inspection of more than 4,600 enterprises and organizations and how they are paying their profit tax. And they became convinced that more than half of them are paying the tax conscientiously but not fully and are committing various violations of legislation. To one degree or another, the "rules of the game" have been violated by 470 state and 174 municipal enterprises, 534 individual private enterprises, 1,719 joint-stock companies, and 52 banks.

Naturally, the inspections were thorough and strict. Not a single violator of the law went unpunished. During the course of the documented inspections, more than R10 billion in concealed profit was uncovered and an additional more than R3.5 billion in taxes and payments were transferred to the budget. The sum of additional payments to the budget, including financial sanctions and penalties, exceeded R92.6 billion. Administrative penalties were applied to 3,425 officials who were forced to pay fines out of their own pockets for an overall sum of R121,475,000. The inspectorates had to freeze bank accounts almost 4,200 times for violations in the payment of profit tax, and 310 sets of documents were sent to law enforcement organs.

Managers and bookkeepers of individual private enterprises, joint-stock companies, cooperatives, and peasant-farmer-run farms are especially lax with the law. And the reason is not so much the poor qualifications of the officials but their lack of discipline. But, of course, it is frequently also their inability to pay.

But still many taxpayers could avoid significant financial losses if they had more respect for the law. Imagine: The limited liability partnership Variant, according to the inspection document, had to pay an additional R569 million into the budget. The limited liability partnership was brought to its knees—and that is not all. The sum of concealed profit alone there amounted to R184.7 million. What was the bookkeeping office hoping for? That the tax inspectorates would be blind? In vain: They do not have the right to be blind. Then followed the financial "execution." Including fines, tens of millions of

additional rubles had to be paid by the Novosibirsk Switching Plant, the Yarovoye Peasant Farm, the Levoberezhnyy Commercial Bank, and many other enterprises and organizations. Were it not for these negligent taxpayers, the arrears on profit tax would not have increased to tens of billions of rubles.

The situation is no easier with the value-added tax. The tax is calculated incorrectly, and the deadlines for paying it are missed. For these reasons, immense sums are either not paid into the budget or are paid late. Of the 43,700 payers of the value-added tax, the tax inspectorates conducted documented inspections of more than 4,500. More than half of them were in violation. And discussions with them are in the language of the law. Let us compare: R166.7 billion in value-added tax was paid into the budget. But the sum of additional tax along with fines and penalties exceeded 62 billion, administrative charges have been filed against 811 officials, and because of their disrespect for the law they will pay more than R25 million in fines. The tax inspectorates had to close 339 accounts, and for the 17 worst offenders they turned the materials over to law enforcement organs.

It would seem that an intelligent bookkeeper would have no problems with calculating the value-added tax. That is if everything were normal. But bookkeeping offices frequently create problems for themselves and incorrectly determine the sum of taxes on material resources that are exempt when calculating the tax and underreport proceeds from sales. The following also happens: The bookkeeping account has one set of figures while other figures are reported to the tax inspectorate. Everything has to be checked, compared, and "illuminated." And sometimes you think: Were it not for the tax inspectors—what would be paid into the budget? Just in the Novosibirskmebel public joint-stock company, the inspectors found that taxable turnover had been reduced by R56.7 million. For the budget this meant minus 11.3 million. Now there will be a plus: Along with the fines, the furniture makers will have to turn over R38.4 million. The Tatar petroleum base failed to pay more than 808 million. The Proletarskiy private joint-stock company in Ordinskiy Rayon had to pay R3.68 million in penalties just for defaulting on payments.

There are so many of these people who have made "mistakes" and "blunders"! I am convinced that if the inspectorates doubled the number of inspections they would double or triple the sum of the additional payments. For now there is no possibility of that.

The situation is even worse with the payment of excise taxes. Tax inspectorates have started monitoring 25 enterprises. Ten of them did not pay their excise tax as they were supposed to, and they all took advantage of "little tricks" and neglected the law. And, of course, they had to pay. A total of R28.4 billion in excise taxes was collected, and the financial sanctions for failure to make the payments exceeded R3.9 billion. What kind of payment discipline can there be when, for instance, the

Vinap private joint-stock company, the former beer and wine combine, did not pay its excise tax as it was supposed to and during the course of the inspection it had to pay into the budget almost R558 million including financial sanctions. And this is an enterprise where it is practically impossible to conceal incomes. As we see, they are trying to.

I personally have never encountered an absolutely indifferent taxpayer. But I have met the weeping taxpayer. And, as a rule, such "touching" scenes occur after a check by the tax inspectorate, after it has become clear that the phony books have been discovered and it will be necessary to pay a sum of many thousands or even many millions. And some of the bookkeepers will be fired. This means that the tax inspectors have broken through, "to the bone," and frequently placed the enterprise on the verge of collapse. But it is not they, not the inspectors, who are the primary cause. Every unconscientious taxpayer must first of all call himself to be accountable, and clarify the simplest truth: I have avoided the law and I have not saved millions. I have lost both the money I wanted to hide from the state and brought about immense fines, and along with them—losses. Were there not such unconscientious taxpayers—there would not be a considerable number of holes that are gaping today in the federal and territorial budgets.

Attack on Organized Crime Updated

944F1350B Novosibirsk VECHErNIY NOVOSIBIRSK
in Russian 22 Aug 94 p 1

[Unattributed article: "The Mafia: Two Months in a Row"]

[Text] For two months, through 14 August inclusive, from the moment the president's edict on protection of the population from gangsterism and other manifestations of organized crime in Novosibirsk went into effect, 210 participants in such formations have been discovered and five organized crime leaders have been exposed.

They have confiscated 5.5 kilograms of precious metals, more than \$22,000, and 19 firearms, one-third of which are automatic. They have also revealed and brought to account 54 legal commercial structures that were either created or are controlled by organized crime groups. During this time, our mafiosi committed more than 90 serious crimes—attempts on human life, skillful extortion, murder, and storage and sale of weapons.

As the edict permits, 48 people have been detained for up to 30 days. This measure is under the constant supervision of the procuracy. So far, there have been no appeals from those arrested. In the conference in the oblast procuracy with the participation of leaders of law enforcement organs, the federal counterintelligence service, and the tax police, it was noted that special attention should be devoted to compliance with the law when detaining people up to 30 days.

Privatization of Strategic Novosibirsk Enterprise Critiqued

944F1301A Moscow SEGODNYA in Russian 13 Aug 94
p 3

[Article by Aleksandr Bekker: "Unusual Privatization of Strategic Combine Has Led Enterprise to Court"]

[Text] The director of the Novosibirsk Tin Combine (NOK), Aleksandr Dugelnyy, who has been written about four times in SEGODNYA and IZVESTIYA, has finally caught the attention of the court. The oblast prosecutor's office has filed a lawsuit with the arbitration court, citing ten legal violations. Among the main ones were: Changeover to stockholding of a leasing enterprise, without option to buy, following the plan of a state enterprise, which yielded benefits in the amount of 53.2 million rubles (R). Also, the value of the property belonging to the NOK was underappraised by R1.12 billion (all in 1992 prices). In the suit, the prosecutor's office asked that the privatization of the strategic enterprise—the largest tin producer in Europe—be ruled invalid. Since the privatization of the NOK "has inflicted significant damage upon state and public interests," the prosecutor's office also filed a criminal case against the officials of the tin combine for abuse of their official positions, and against the local committee on property, which gave the go-ahead for the "unusual" privatization.

Prior to the first court session on 2 August, all the Novosibirsk TV channels televised the press conference of Mr. Dugelnyy and his retinue, who called the newspaper publications and investigations contrived, the information clearly false, and the campaign to expose them—planned. The prosecutor in charge of the case was notified by telephone "about the indignation of the workers at the combine." The director himself visited the prosecutor's office, so as to test the waters—how to avoid bringing the suit to court. Two days before it was to begin, President Yeltsin's representative in the oblast, Mr. Manokhin, announced to the public from the television screen that the prosecutor is acting on orders from above, at the direction and in the interests of the Moscow financial bigwigs. The persecution of the leading enterprise places in 60,000 shareholders in jeopardy.

We may note the successful ploy of Mr. Dugelnyy: He shifted the discussion on the state of affairs at the combine to a political plane, accusing curious journalists of attacking the government. Mr. Presnikov, an assistant representative of the president, and formerly an aide to Mr. Dugelnyy on privatization—is suggesting to Novosibirsk residents, and indirectly also to the court, that "various political forces and sectorial clans" in the capital are up in arms against the combine. We cannot, however, overlook the discussion about the stockholders of the NOK, even though there are 17 times fewer of them than Mr. Manokhin maintained. Dugelnyy's command is today actively instilling the notion that the

shareholders will suffer greatly if the NOK is returned to state ownership. This essentially marked card is being played out before the eyes of the court, presenting the director as the defender of the labor collective. He, supposedly, was following the untrodden path of privatization. Perhaps he strayed a bit, but certainly not for the sake of greed...

As for unselfishness, Mr. Dugelnny, we believe, quite consciously refused (in spite of the law) to ask permission for privatization from Goskomimushchestvo [RF State Committee on the Administration of State Property]. Had he done so, the question of buying out the state's share of property would inevitably have arisen. Over a billion rubles—this "resounded" in 1992. Moreover, the director of the leasing combine would have had to encounter rivalry over dredgers and smelting furnaces through competition or auction. He did not like that, but he did like the 40 percent in actual preferred stock from the first variant of privatization for state enterprises. Mr. Dugelnny took the "goods" on privatization not from the GKI [Goskomimushchestvo], but from the local authorities, and in doing so gained all the advantages: He did not buy out the property and he acquired the benefits of stockholding.

Let us say, he took a "piece" away from the state in the sum of R1.12 billion, and for the sake of the collective took the sin upon himself. But in that case, he should have at least written up, as is stated in four laws and the program of privatization, the share of ownership of each worker—Ivanov, Petrov, Ustinov—in this billion. However, in the statute on appraisal of value of the NOK property, Mr. Dugelnny concealed the billion both from the state and from the collective. Later, before the city residents, he justified these actions by saying that the money was channeled into replenishment of the working capital by decision of the stockholders' meeting. Yet the investigative institutions found no such order.

They did, however, find other curious documents. According to the leasing enterprise charter, in 1992 the director's salary could be set only by the conference of the labor collective. In fact, the contract with Mr. Dugelnny was signed on 7 April 1992 by six of the members of the leaseholder's council *per se*—a mythical body without charter powers and authorities. Upon seeing the contract, the associate of the tax police exclaimed: "This cannot be!" The director's salary was set in proportion of 0.7 percent of the balance, i.e., the full profit of the enterprise. As a result, the director was paid R23.1 million for 1992. The next year, by-passing the shareholders, Mr. Dugelnny's contract was extended by Mr. Bashkov—the head of the local property fund, who had no right to do so. For 1993 the director of the NOK added another R30 million plus, while the property fund, evidently by pure coincidence, acted as the founder of the AO [joint-stock company] "NOK".

At the same time, Mr. Bashkov and Mr. Dugelnny speak out most synonymously. Around 60 percent of the preferred stock is held by pensioners. The state has made

special provision for this type of non-voting shares, so that people would be guaranteed of receiving their percent of the profits, unlike common shares which carry a vote. For 1992, Director Dugelnny did not pay any dividend to the workers who had worked their time. In 1993, understanding that he could not get away with this again, he held a meeting at which the stockholders voted to convert the preferred stock to common stock. In order for such conversion to take place, according to the charter, a "yes" vote was required from $\frac{2}{3}$ of the holders of the preferred stock. They got slightly over 50 percent. And then they figured the percentage based on the number of those present at the meeting. Mr. Bashkov, who saw the forgery, in fact played into the hands of Mr. Dugelnny with "his" packet of stock, which in fact belonged to the state. By this move, the latter distributed 10 percent of the profit among all the shareholders, taking part of it away from the most unprotected ones to do so.

The director's "love of the people" does not stand up well when compared with the facts. Slightly less than a year after registration of the documents of the AO "NOK," in defiance of the law, workers were not issued their shares. Instead they were given so-called certificates bearing the signature of the official responsible for the register, Mr. Presnikov. These papers certified that the person owns such-and-such number of shares, but did not allow them to sell them directly or at the city's stock exchanges, where already from the beginning of '93 stocks went for eight times their face value. Having closed off exit from the combine for the stock, Mr. Dugelnny offered the workers to give up their shares, although only at face value, in payment for coats, television sets and refrigerators. The consumer goods, we might add, were purchased from the profits created by the labor of the workers themselves. Thus, shares worth tens of millions of rubles went personally to the director, as well as to the financial organizations, Sibelfin, "Sibinvest," and "Rossiyskiy kredit," which he controlled. This was in direct violation of the state program of privatization and of the NOK charter. The finale is such: The workers of the combine retain 27 percent of the shares, instead of the 76 percent which they had initially, while the director directly and indirectly controls 40 percent. And Mr. Presnikov, who gave Dugelnny a hand with the mechanism of siphoning off the stock, is today shedding tears over the stockholders and, already as a companion-in-arms to President Yeltsin, is filling the heads of the Novosibirsk residents about the intrigues of Moscow, the underhanded plots of the lobbyists, and the mercenary journalists.

Privatization of the NOK has also dealt a blow to state interests. According to the registration card of the leasing enterprise NOK which is kept at the tax inspection, the relative share of the combine property held by the collective at the beginning of privatization comprised 11.4 percent. Purely by paper shuffling, the director knocked down the amount of state property to 47 percent, and brought the combine's share up to 53

percent. From privatization of the industrial giant. R23 million dribbled into the state budget—just enough for a one-room apartment. Yet the billion which was concealed in '92 has today grown by at least an order.

"So what, so I underappraised the value of the property," Dugelnyy now says at the press conference. "In Germany enterprises are sold for one mark." Even here, where the director indirectly admits a violation of the law, he is trying to confuse his fellow countrymen. In fact, in Germany the patronage agency "Treichandanstalt" (the analog of our GKI) is giving away enterprises "for nothing," but only to those who propose a strong program of retooling and the appropriate influx of investments. From this standpoint, the English company "Armet" appears entirely absurd, having won the investment competition and taken possession of a packet of stock in NOK in the amount of 14.25 percent. The tiny company with a charter capital of 12,000 pounds sterling (R32 million) is becoming the "savior" of an enterprise whose balance cost after two re-appraisals will comprise somewhere on the order of R160-R200 billion. The investment scope of "Armet"—to invest R2.14 billion in NOK, evokes only irony. For comparison: In order to win 14 percent of the shares in "Novomoskovskbytkhim," the American Procter and Gamble Company had to guarantee \$50 million in investments.

The real potential of "Armet" will be clearer if we say that it has invested only \$349,985 (R700 million). This has undermined the investment program for the first half of the year, according to which R1.6 billion were to have been invested in the NOK during this time. This alone, according to p. 6.3 of the property fund's agreement with "Armet," "constitutes grounds for depriving the buyer... of the rights of ownership of the entire pack of stock." There are also a few "little things" to add here. The technology promised by "Armet" to the combine, on a non-compensatory basis, we might add, upon verification turned out to be not Western, but domestic, which had been introduced at NOK long, long ago. The deposit in the sum of R121 million for participation of "Armet" in the investment competition was made by Mr. Dugelnyy from NOK funds, although his contact with the combine did not give him such authority. But, evidently, other powers and authorities were more important for him—the assurance that "Armet" would represent the interests of the Englishmen in the competition.

This, most likely, holds the answer as to why Mr. Dugelnyy is so set against returning the combine to state ownership and against reanimation of this same billion. If the charter fund is increased by this sum, the share of "Armet" would drop from 14 to 3 percent. Was it worth ignoring the state program of privatization then, which called for government approval to allow foreign companies to participate in the privatization of such strategic enterprises as NOK? Was it worth getting the resolution of the already well-known Mr. Bashkov instead of that of the government: "No limitations on acceptance of applications."

Having given "Armet" a significant packet of stock, the director is pulling Russia into unpleasant legal collisions. The arbitration dispute in Novosibirsk has not yet begun, but the English company "Baker and Mackenzie" has already sent letters to Novosibirsk Oblast Prosecutor Tokarev, to GKI Chairman Chubays, and to Goskommetallurgiya [State Committee on Metallurgy] Chairman Afonin. It warns that the repeal of privatization of NOK will inflict great financial loss upon "Armet." In this case, Russia may be served with a countersuit. Thus, they are starting to put psychological pressure on the authorities.

This is felt, unfortunately, also in the social atmosphere of Novosibirsk, where the public is being convinced to follow the call, "they are beating up our boys." The aide to President Yeltsin, Mr. Manokhin, who seemingly is not certified in legal disciplines, believes it permissible to call State Advisor of Justice 3rd Class Tokarev to tell him that the prosecutor's office is engaging in the wrong thing. The arbitration court, having postponed the hearing, in violation of the law is already for 10 days not issuing a written statement. Judging by certain indicators, the court intends to give Mr. Dugelnyy and Mr. Bashkov, who presently heads the Committee on Property, a month to find a compromise variant. This is akin to a court's offering to award a prize to someone who has been found guilty of misappropriation: What has been stolen cannot be returned, it would say, but the violator, as you can see in his eyes, is sorry for the misstep.

"We have firmly stepped on someone's toes in this case," said Mr. Tokarev to our SEGODNYA correspondent. "As yet, we do not understand whose." Further development of events, we must presume, will give the answer to this and other questions. It seems, however, that the case on privatization of the NOK will not bypass the Supreme Arbitration Court. But even here, we cannot be sure of anything. As practical experience shows, the principle of one of the American presidents has adapted itself very well on Russian soil: "He, of course, is a son of a bitch, but he is our son of a bitch."

Plan To Build International Airport in Novosibirsk Questioned

944F1277B Moscow ROSSIYSKIYE VESTI in Russian
16 Aug 94 p 2

[Article by Andrey Illarionov under "Projects" rubric: "Wings of Siberia"]

[Text] The administration of Novosibirsk Oblast has decided to allocate about 1 billion rubles for the development of a business plan for the laying out of the largest international airport in Siberia on the basis of the one operating in Tolmachevo.

There are very weighty arguments for the construction of such a facility here. The geographic position of Novosibirsk is extremely favorable for the establishment

of an intermediate international airport in the middle of the shortest air route from North America to central and southern Asia.

Besides direct allocations from the profit of the airlines to the budget of the oblast, the implementation of such a project would contribute to the development of international trade here and foreign tourism in Siberia, and would help to improve the economic position of Novosibirsk Oblast. It would seem that everything possible needs to be done to accelerate the establishment of a new international airport. But an analysis of the chronology leads to gloomy conclusions. The oblast would need three years to accomplish the technical and economic feasibility study. But how many years would be needed for the development of a business plan, and then for technological and construction planning?

According to preliminary calculations by the joint-stock company Transsibavia, with a cost of construction of about \$1.2 billion and with plans to appropriate about \$70 million annually, construction will require almost 20 years. The question arises: Will precisely the kind of airport that we imagine today be needed then? For is it not possible that by that time aviation technology will have changed so much that an intermediate landing will not be needed at all?

If one approaches this matter and the involvement of foreign investors seriously, one must calculate project planning and construction within the time frame prevailing today under contemporary foreign standards. Then this will yield economic results in the next few years, and the project will indeed be realistic.

Petersburg Unemployment Statistics

944F1310A St. Petersburg SANKT PETERBURGSKIYE VEDOMOSTI in Russian 18 Aug 94 p 1

[Report by L. Rakhmanov: "Over One Week—1,500 New Unemployed"]

[Text] According to the data of the committee for population employment, over last week 5,088 persons visited the employment service seeking jobs and consultations, of whom 1,558 were granted the status of unemployed.

Over the same period, 1,207 persons were removed from the unemployment rolls; 579 of them found jobs with the help of the employment service.

By the end of the week, 16,734 vacancies were listed in the agency's data base (84 percent of them in blue-collar professions). Thus, per each 1,000 unemployed, there are 511 vacancies.

All unemployed registered with the committee for population employment, as of today, numbered 36,629 (36,276 last week).

The unemployment rate is especially high in Frunzenskiy, Nevskiy, Moskovskiy, and Kirovskiy Rayons of the city.

Shares in Petersburg Enterprises Auctioned

944F1310B St. Petersburg SMENA in Russian 18 Aug 94 p 1

[Report by Aleksandr Oreshkin under the rubric "Privatization": "Winners Will Be Announced in Three Days"]

[Text] The preliminary results of the first money auction of shares of six enterprises, held by the St. Petersburg Property Fund, were summarized on 17 August.

A total of 202 applications were submitted to the auction. There are 23 winners (it is currently not known precisely who), who paid a total of R240.34 million.

AO [joint-stock society] Elektromontazh: 2,632 shares with the face value of R1,000 were sold for R33.55 million. Twenty-five applications were submitted, with two coming out final winners. The minimum price offered per share at which the application was considered—R5,100.

AO Medpolimer: 18,400 shares sold with the face value of R62.50 for the amount of R58,899,194. The minimum price per share at which application was considered—R3,201. The number of applications—15, winners—four.

AO ATP-10: 1,375 shares sold with the face value of R1,000 for the amount of R14,000,934.58. The minimum price per share at which the application was considered—R6,542.06. The number of applications—15, winners—four.

AO Kuselevskiy Khlebozavod: 24,000 shares sold with the face value of R25 (minimum price per share to consider the application—R1,442.31) for the amount of R34,919,423.08. Six winners were chosen out of 45 applications.

AO Progress (former Khlebtorg-1): 16,200 shares sold with the face value of R50 for the amount of R43,486,200. The number of applications—22, winners—five. The minimum price per share at which the application was considered—R1,200.

AO Gidroelektromontazh: 7,440 shares sold with the face value of R1,000 for the amount of R15.479 million. The number of applications—36, winners—four. The minimum price per share at which the application was considered—R2,100.

Now the results of the auctions must be approved by the chairman of the Property Fund; in three days we will know the names of the winners.

Kazannik Continues Party Work in Petersburg

944F1310C St. Petersburg NEVSKOYE VREMYA in Russian 18 Aug 94 p 1

[Article by Viktoriya Rabotnova: "The Last Romantic Hero?"]

[Text] "We are in constructive opposition to the current authorities. This means that, without stooping to unsubstantiated attacks and insults, we strive to speak first and foremost of the positive—how to make the authority more effective and, most importantly, law-abiding," says Russia's former general procurator Aleksey Kazannik. A conference of the regional branch of the People's Conscience Party he is organizing was held yesterday in St. Petersburg.

Aleksey Kazannik demonstrated many times his detachment from material goods; by the way, upon arrival to St. Petersburg, he stayed not in a hotel but in an ordinary student dormitory. Kazannik believes that "it is better to play by inferior rules than no rules at all." In other words, "Kazannik's party" intends to nurture among its compatriots deep and sincere obedience to the law.

So far it is not there. Aleksey Ivanovich may rightfully reproach parliament deputies of legal romanticism: They hope, he says, that as soon as a law is adopted the problem is resolved. But the same reproach may also be addressed at him. In any case, as is known, the reason for his resignation from the job of the general procurator was precisely the desire to abide by an "inferior" legislative act.

"I lived in Omsk and was at the same time a member of the Presidential Council," says Kazannik. "It was then that I created for myself this ideal image of authority. I served this symbol of authority truthfully and faithfully and was deeply aggrieved by any mistake or failure of Boris Nikolayevich. Frankly, I was sorry that he had not made use of any opportunities—and there were many—to reach accommodation with the deputy corps. He could, for instance, after the April referendum, instead of trumpeting victory, come to the congress to say: The citizens of Russia approve our common economic policy. But only one-third voted 'for,' it means that people are in doubt, so let us make some corrections together..."

"When I became general procurator, Boris Nikolayevich frequently gave me directives... 'Aleksey Ivanovich, why is it that such and such people have not yet been arrested? Why do they speak at rallies and insult the president?' I explained that as a citizen of Russia he has the right to turn to the court asking to bring criminal charges against persons who insult him—it is a matter for a private suit, for there is no law in the Russian Federation on protection of honor and dignity of the president. These people are not among those against whom charges have been brought in the May Day events investigation, and I would rather brand my own forehead than issue an unjustified warrant for an arrest."

As to the events of 3-4 October, according to Kazannik, the charges against Rutskey, Khasbulatov, and others still do not cause any doubts in his mind—and the latter also were inclined to agree with the assessment of their actions as presented by the general procuracy. At the same time, says the former general procurator, enough

time passed between the storming of "Ostankino" and the White House, and the investigators were searching for proof that the president used this time to attempt to reach a compromise with the "defenders" and avoid bloodshed. Neither the interrogation of military servicemen nor video documents provided such proof; in Aleksey Ivanovich's view, this provided grounds for initiating criminal proceedings against the country's highest officials who gave the order to storm the White House. So the amnesty saved more than just the "Lefortovo captives."

The disdain for the attributes of power, demonstrated by Kazannik on numerous occasions; his ability to sincerely get carried away when it comes to people—and get disappointed; his ability to admit his mistakes; and finally, his pronounced "un-capital-city" demeanor make the former procurator an almost ideal hero of the postromanticism era...

LAES Financial Status Critical

944F1310D St. Petersburg SANKT PETERBURGSKIYE
VEDOMOSTI in Russian
18 Aug 94 p 1

[Unattributed report: "LAES Is Operating but Without a Bank Account"]

[Text] "Beginning today, our consumers already owe us more than R200 billion for electric power delivered to them," Anatolii Yeperin, director of the Leningrad nuclear power station [LAES] told an ITAR-TASS correspondent. At the same time, he said, at the demand of the tax service, the enterprise's bank account was closed, since the nuclear power generation facility is unable to pay the state R50 billion in taxes.

"A similar situation exists at practically all nuclear power stations in Russia, which became paupers with all their wealth," says the AES director. "We are state enterprises. However, the right to dispose of our product is in the hands of the Russian joint-stock society Unified Power Generation Systems."

Naturally, this information does not mean that the Leningrad AES has suspended operations. In any case, for the LAES, as well as many others who found themselves in the same situation, it is still possible to settle its tax problems at least to the point of reopening a bank account and forcing the debtors to pay up. The tax service says that there are ways to do it.

Petersburg Bankruptcy Official Interviewed

944F1310E St. Petersburg NEVSKOYE VREMYA
in Russian 18 Aug 94 p 1

[Interview with Grigoriy Slabikov, acting director of the territorial agency of the Federal Administration on the Problems of Enterprise Insolvency (Bankruptcy), by

Vitaliy Zemskov; place and date not given: "The Ring-Buoy of Bankruptcy: About 100 City Enterprises Are Insolvent"]

[Text] *The literature describing Russia before 1917 and old movies are replete with characters of unfortunate bankrupts who either shoot themselves in the head or come out of it unscathed due to a lucky confluence of circumstances.*

How does today's bankrupt look? Who and how establishes bankruptcy? We addressed these questions, which are very topical for many St. Petersburg residents currently idling on a forced leave, to Grigoriy Slabikov, acting director of the territorial agency of the Federal Administration on the Problems of Enterprise Insolvency (Bankruptcy).

[Slabikov] An enterprise—which is the subject of our activities—is deemed to be bankrupt by an arbitration court. In this case, the debt must be equal to at least 500 minimum wages. At least, we still use as a guidance a respective two-year-old law and the government decree No. 498 dated 20 May of this year "On Some Measures of Implementing the Legislation on Enterprise Insolvency (Bankruptcy)." By the way, before the federal administration and agencies such as ours were set up, the 1992 law practically did not work.

There are two approaches in such delicate matters as finding an enterprise bankrupt. First, we can demand an immediate repayment of debts. Then selling it off at an auction is practically inevitable. But there is another, gentler method. To "freeze" monetary and other claims for a year and a half in order to give the enterprise an opportunity to get on its feet. In a way, it is thrown a ring-buoy—swim ashore if you can. If the time given for "reanimation" does not help, however, an auction is inevitable.

[Zemskov] Let us assume that an enterprise does get these 18 months to turn the situation around. What then?

[Slabikov] The first thing that happens when an enterprise gets a reprieve, our agency's specialists go in. By the way, at this point we mainly deal with small plants and factories that employ no more than 100 persons. Bankruptcy procedures at large enterprises are handled by our federal administration located in Moscow. What do we do? First, we analyze the financial situation of the bankrupt, the wear and tear on fixed assets, the demand for products it makes, its own capital. Second, we look for ways to save it. If necessary, we can help to design a business plan. In this respect, what is important is to catch in time someone plunging into the abyss. Then the state aid that is targeted for reorganization of production will play a decisive healing role.

[Zemskov] Do you not think that, despite the government promise of financial support, there is not much

hope for it? How do you find real money when the country has a serious budget deficit?

[Slabikov] We will see how it will all go. Each specific instance of bankruptcy requires a special approach. Besides, the population's savings, which currently (taking into account current prices) reached the 1992 level, permit us to say that it is the population that is the largest investor, although rich people are in a minority.

Here we are talking strictly about auctioning the enterprises off, however. A rich investor is capable of buying a plant or a factory as a whole. While several medium-grade investors—only by parts. In the latter case, it is unlikely that the enterprise's specialization will be preserved or, for that matter, the enterprise itself as a single production mechanism. Neither should we forget such a terrible threat as unemployment, which bankruptcy brings about.

If a plant or a factory is sold at an auction, one can attach a number of conditions. First, to preserve the same number of jobs as before the sale. Second, if it is lucrative or extremely necessary for the city, to not change the enterprise's specialization for a certain—perhaps even lengthy—period of time.

[Zemskov] Grigoriy Vladimirovich, how do you deal with the bankruptcy of defense industry enterprises, which do not pay their creditors because the Ministry of Defense owes them money for the orders fulfilled and is not paying? Can the state in this situation bring up the question of bankruptcy, as they say, point blank?

[Slabikov] True, in this case it is hard for the state to stick to the principle to the end. And, most important, an additional legal base is needed—the law on state orders, which still has not been passed.

[Zemskov] There is also a possibility, would you not agree, of a false bankruptcy for mercenary purposes.

[Slabikov] We will analyze the situation, and the arbitration court will decide. It is important to watch out and prevent possible encroachment on the property of the bankrupt enterprises—see, for instance, that the general director does not engage quietly in selling it off.

[Zemskov] Who is the first candidate for bankruptcy in St. Petersburg?

[Slabikov] One example is Imeni Anisimova textile factory. Its reorganization and change of specialization is on the agenda today. In the light industry, this is the first swallow, but not the last one.

The Izhorskiy Zavod joint-stock society, on the other hand, found us on their own and asked for help. Its salvation is conversion. There is still demand for chemical and nuclear reactors they make, but there is no demand for tanks whatsoever. To shift to manufacturing a new product that is in demand, this demand needs to be researched, and a clear business plan put together. By the way, currently, our agency is analyzing the situation

of about 100 insolvent enterprises in the city. But, I repeat, conducting a bankruptcy procedure with respect to production associations, plants, and factories that employ more than 100 persons is the prerogative of the federal administration.

Nizhniy Novgorod Works Out Concept of Development

944F1243A Moscow SEGODNYA in Russian 9 Aug 94
p 4

[Article by Vycheslav Chebanov under "Expansion" rubric: "Nizhniy Novgorod Will Grow at the Expense of Its Neighbors: the Oblast Administration Wants Every Family To Have a House"]

[Text] For a long time, even since 1968, Nizhniy Novgorod has tried to acquire a general plan of its own for development. But since that time one of the largest cities of Russia not only did not have a specific strategy for its own development but until this year its leaders had not even documented its official boundaries.

Today, finally, a concept of a general plan for the development of the city through 2010 has been worked out. Vice-Mayor of Nizhniy Gorod Sergey Makov declared that "because of the oversaturation with industrial enterprises the territory of the city must be doubled—to 35,000 hectares." Precisely this is what the concept of the general plan proposes. To be sure, it is unknown at the expense of whose lands: naturally by no means all of the rayons adjacent to the city are in agreement to cut up their own areas for the benefit of the "capital of the Volga."

Many citizens of Nizhniy Novgorod remember that even in the prereform period under an arbitrary decision

by the party leadership Nizhniy Novgorod grabbed hectare after hectare of neighboring agricultural enterprises, something that the local authorities did not by any means want to go along with even then. Thus, for example, for many years the nearby suburban Kstovskiy Rayon continued to consider part of Verkhniye Pechory, a large residential microrayon of the city, as its own property. In this regard, just two months ago the oblast administration responded to the Kstovskiy managers with an edict from Governor Boris Nemtsov on the establishment of new city boundaries. By the way, the matter is not limited to this case alone—in the opinion of local observers, similar examples will not be long in coming.

Initially the draft of the general plan foresaw the razing of practically all one-story structures in the city for the purpose of providing space to put up multistory structures. But the present oblast administration is insisting on expanding the construction of precisely one-story housing space as being more comfortable for the population. Mikhail Kuznetsov, chairman of the oblast committee for architecture, announced this at a press conference for the purpose of familiarizing the people with the concept of the general plan for the development of Nizhniy Novgorod. In the words of Mr. Kuznetsov, the draft of the general plan proposes an increase in the norm of housing space per citizen of Nizhniy Novgorod to 20.7 square meters by 2010. Today there is an average of 16.2 square meters per inhabitant and even that is only in theory.

The chief architect of Nizhniy Novgorod Aleksandr Kharitonov declared that "the concept that has been presented is not yet the real content of the general plan but only a forecast for development: how the developers of the plan see the future of the city."

POLITICAL AFFAIRS

Kuchma Addresses Religious Representatives

944K2134A Kiev URYADOVYY KURYER
in Ukrainian 4 Aug 94 p 3

[Speech by President of Ukraine Leonid Kuchma at a meeting with representatives of religious organizations on 29 July 1994: "Confrontation Is a Way to Nowhere"]

[Text] Esteemed leaders of religious organizations, I greet you from the bottom of my heart!

Yesterday, the Orthodox believers of Ukraine and the entire world honored the memory of Prince Volodymyr, the co-equal of the Apostles; thanks to him, Christianity asserted itself in the lands of Eastern Slavs and became an important element of the unification of Slavic peoples.

Much to our regret, reality is such that it does not make it possible to pay great attention to celebrations but rather requires a businesslike attitude. I see the objective of this meeting in exchanging ideas concerning the economic and sociopolitical situation in Ukraine with you, familiarizing you with the plan for the president's priority actions, and discussing the role and place of the church in their implementation.

It is hard to find words in order to adequately assess what is happening in Ukraine, to define it as a state. The economy is on the brink of collapse. The veins of the economy have simply been slashed. Politics has "devoured" economics. Distorted economic relations, social instability, and the amorphousness of power have given rise to an economic and political void; they are pushing our society toward a spiritual catastrophe. Crime is holding sway.

Immorality is becoming the rule, fraud and deception are becoming a custom, and cynicism is becoming a virtue.

An odd mutation is occurring in our society. Access to easy enrichment corrupts young people, weans them off work, and creates an atmosphere of permissiveness. The nation is becoming wild; a trend toward its dying off has begun. In essence, the entire country is a festering wound.

We are paying the price for acting in keeping with A. Blok's words virtually from the day of proclaiming independence: We listened to the music of the revolution rather than the music of life.

For this reason, the priority steps of the president are aimed at preventing the population from ultimately losing faith in the authorities and the state and thus precluding the dying off of the pulse of life.

Measures are being taken to ameliorate the situation in our society and to combat crime and corruption. We will

begin with state institutions in which bribery and corruption have become inalienable attributes in many cases.

I would like to stress that the presidential edict on Urgent Measures to Reinforce the Combat Against Crime does not amount to a political campaign. This is a major long-term policy until such time as order is restored in our house. To be sure, critics of individual articles of the edict have also come along, although it is unknown where they were before.

Honest people have nothing to fear. Support from the population and the first results of the implementation of the edict confirm that the course is correct.

We have much too little time and limited leeway to stabilize the economy and first of all the financial sphere. Yet another wave of cataclysmic hyperinflation may "drown" us otherwise. A drop in production comes to 40 percent per month to begin with. Irreversible processes will begin in industry unless this drop is arrested shortly.

Previously, it was possible to "scrape by" at the expense of rural areas, whereas at present, agriculture is also facing an extremely difficult situation and gets by to a considerable degree due to the self-sacrifice of the rural working people. Although the crop has been harvested on half the areas by now, two times less wheat has been procured than during the corresponding period of last year. We may run into difficulties with grain for bread, to say nothing about fodder grain, for the first time in the last five years.

Irresponsibility at various levels of authority, the absence of a clear-cut system for managing the economy and for executive authorities as a whole are superimposed over the economic situation.

Understandably, political stability and the social and spiritual well-being of the people derive from the economy. At the same time, they are the necessary prerequisites for reforms. The churches and the believers could ensure and substantially "bolster" support for the efforts of the state in all of these areas. As always, the country and the people should count on the guardians of their spirituality at a time of trial.

We certainly need to bring back morality and assert human dignity. We should preserve our future, our young people, and not lose our children.

We should support by word and deed those who have dedicated their entire lives to work and are now facing adversity, or are altogether departing this life without the last human honors. We should give faith and hope to those who live and work honestly and hold up the state on their shoulders. We should not ultimately push away and anger those who have transgressed for various reasons.

We should carry to one and all the word of God that only through peace and accord, suffering, mutual concessions,

self-sacrifice, and work can we survive and assert ourselves as a state and a nation. All conflicts and confrontations are a way to nowhere, a catastrophe not just for the state, and not as much for the state as for every family and person. As it is, the state primarily means the people, morality, customs, the entire way of life in general. If this does not exist then, to my mind, there is no state in the full-fledged meaning of the word.

As far as the policy of the state with regard to the life of churches is concerned, it will be based solely on the recognized principle of international practice and relevant laws of Ukraine. In conjunction with this, we cannot but be concerned about relations between churches. Even if we consider that churches are a cross-section of society, the level of conflicts in this area considerably exceeds the level of general strains in our society.

The involvement of religious figures and denominations in a quarrel among themselves harms their pastoral mission. It is particularly bad that this delineation inflames regions, sometimes even separates families, and degenerates into political and social conflicts. Certain political entities and politicians play an odious role in all of this.

Unfortunately, the theoretical consideration of old and new conflicts is not being complemented by the development of a mechanism for resolving them.

For this reason, virtually not a single attempt to resolve interdenominational contradictions has been seen through to the end. The proclaimed endeavors and initiatives are stillborn for the most part. It would be worthwhile to revisit the concepts of quadrilateral meetings for the resolution of disputes between the Orthodox and the Greek Catholics in Western Ukraine, the establishment of contacts among the Orthodox, the operation of the Interdenominational Christian Consultative Committee, and other forms of communication.

The main point is to meet each other halfway, to take joint steps toward mutual understanding, and to channel contradictions into the bounds of a civilized dialogue. I believe that all of us should proceed from the fact that there should be no religious enmity in Ukraine.

We would not like to build up the mediation functions of the state and to make it into something of an arbiter between churches and denominations. Meanwhile, the Council for Religious Affairs of the Cabinet of Ministers has frequently become a catalyst for conflicts and misunderstandings among the believers. For this reason, substantiated proposals to liquidate it have been voiced. We have proceeded to do so and to reform the structures that represent the state in the sphere of denominational life in a major way. Other proposals in this matter are also possible. However, it is not the form but rather the content of activities ensured by professional cadres from the position of only the law, and then the same law for all, that is important to us.

The state will comprehensively facilitate attaining calm in the religious community and preventing the appearance of new hotbeds of tension between the believers, especially by way of their artificial promotion and programming.

The interference of some of the people's deputies into church affairs is impermissible. While individual councils have jurisdiction over evaluating them, we will resolutely prevent attempts to influence religious life and to fuel religious enmity by sociopolitical entities and individual citizens. You should have no doubt about it.

A rapid process of the redistribution of the spheres of influence of churches has occurred in recent years. At present, the number of religious organizations considerably exceeds the potential for providing buildings and other attributes of worship for them. For example, in the latest period, 4,000 communities have sprung up, but only 1,500 temples are under construction. Certainly, it would be a naive dream to count on an absolute absence of conflicts under the circumstances. Yet, we cannot resign ourselves to conflicts now being in progress at 600 localities.

Being aware of the difficult position of churches, we will facilitate the resolution of their financial problems, especially on the issues of leasing, payments for municipal services, allocation of land parcels for the construction of houses of worship, and so on. At the same time, I would like relevant steps to be taken by you so that conflicts will not have to be resolved with the help of the Criminal Code. We have already been through that. As president, I will do everything possible in order to resolve these issues in a civilized manner.

To my mind, we should proceed more vigorously in keeping with the amendments to the Law on the Freedom of Conscience and Religious Organizations, which are called upon to regulate external influences on the church community in Ukraine. This will make it possible to prevent the disruption of a natural balance that has emerged between the religious organizations here.

At the same time, we should make a major effort to make legislation specific and develop it. For example, everybody can interpret the addition to Article 17 of the law any which way; hence this is a source of conflict. Last year alone, 136 civil-law cases involving decisions of state organs on the houses of worship were adjudicated.

I think that in this instance you, the church figures, should also display initiative. The task of the state is to ensure unconditional compliance with legislation and the unification of its application in the state in general and in all of its regions. All religious organizations are equal before the law, and the state must ensure a similar treatment of them.

Without interfering with the canon aspect of the matter, we will facilitate the assertion of accord and peace in the

religious community and the provision of normal conditions for the operation of all churches.

I hope that you will appreciate the difficult problems facing Ukraine. I count on your support and constructive cooperation. Certainly, we have the same objective—Ukraine, the happiness and prosperity of its people.

I invite you to a frank discussion and thank you for your attention.

Government Restructuring Seen Key to Change

944K2221A L'ov POST-POSTUP in Ukrainian No 29, 18-24 Aug p A4

[Article by Volodymyr Bychek, Chernihiv: "The Geometry of Power: On the Soviet Plane, Vertical Structure Is Reduced to a Point"]

[Text] The elections held on 26 June, in which the citizens of Ukraine elected the country's president and local councils, introduced an extraordinary contradiction into the system of government, which will become the focus of political struggle among all the branches of government until one of them achieves outright victory. What actually happened in Ukraine on 26 June, and what choice did the citizens of Ukraine have?

On the one hand, the presidential election served as a kind of referendum on the form of Ukraine's system of government and an expression of support for the office of the president. On the other hand, by electing local councils, citizens—consciously or unconsciously—voted in favor of the Soviet system, which combines all three forms of government in a single body with collective responsibility and no personal accountability. The paradox consists in the fact that the Soviet system is opposed in principle to the organization of a presidential or parliamentary republic and to the establishment of a vertical hierarchy of executive power.

Given the omnipotence of the councils, the anti-state forces have an excellent chance of winning by exploiting populist slogans. But this is not the worst thing that the Soviet system brings with it. Even if, let us say, he patriots defeat the communists in the elections to the Soviet governing organs, this will be of minimal consequence to the building of the Ukrainian state, inasmuch as the system of councils by its very nature is incapable either of building the state or of governing it. And the Soviet organs made up of Ukrainian patriots will destroy the state to almost the same extent as the Soviet organs made up of anti-state forces.

[This is] because given the obvious particularism of Ukraine's regions, in which the population of each region will elect its own local government, quite distinct from those elected in other regions, and all these governing organs will have full state powers and their own executive committees, this in itself will be sufficient to serve as a source of centrifugal tendencies. And if the central government does not have a mechanism for

imposing a single platform on such disparate regions, the collapse of our state seems more than likely.

In the presidential election, the Ukrainian people voted unequivocally in favor of a division of powers. But at the local level, the people were offered no choice. Inasmuch as the local elections were conducted under laws that established the system of councils, the local councils were elected in accordance with the proposed model.

The elected president now finds himself at a disadvantage. First of all, he has been stripped of his principal power base—the local administrations, which have now been replaced by virtually autonomous councils. Secondly, the president's relations with the Supreme Council will not be easy, because the latter body aspires to become the highest organ of state power, as a result of which a portion of its deputies are opposed to the institution of the presidency as such, thereby rejecting the establishment in Ukraine of both a presidential and a parliamentary republic.

This means that the future process of constitutional building will be accompanied by a struggle between the supporters of the division of powers and the supporters of the Soviet system. And there is no avoiding this. The objective inevitability of this struggle is recognized not only by the Supreme Council but also by the president. The struggle between the branches of government have pushed into the background the struggle between political organizations with radically opposed orientations. The fate of the Ukrainian state will not depend on which of these organizations wins but on what kind of system of government is established in the country. It is evident from the situation in Ukraine that a system of government will not form on its own without the political leadership waging a battle against Soviet traditions. What forms this battle takes is another matter.

Ukraine has abundant negative experience from which she should finally draw certain conclusions. After all, all previous attempts by the Ukrainian people to build their own state were defeated not because of a lack of patriotism on the part of the population, but because of the inability of Ukrainian society to create a system of government, and, more specifically—because of the failure of the political leadership to build its own vertical hierarchy of power.

Let us recall the recent past. How was power organized in the USSR? We need to reject the stereotype of "government by councils" in the USSR. Just as in all other countries of the world, authority in the USSR was based on a clearly defined hierarchy of power of the CPSU and a system of Soviet organs, which were appointed not to govern but merely to give voice to the decisions adopted by the state party and to display to the population their supposed participation in the government of the state. When power in the USSR passed from the party committees at all levels to the corresponding councils, the USSR collapsed.

This was the same principle under which the Soviet system was chosen on 26 June. It will not be able to govern the state effectively, because it essentially provides no mechanism of interaction between councils at higher and lower levels except for a formal hierarchy. The most dangerous thing that happened that day was the destruction of a single state administration, built on the principle of vertical subordination, without which no country in the world can be governed.

The supporters of the Soviet system will not succeed in devising some other model of constitutional order that does not exist anywhere else in the world. There will be a vertical hierarchy of authority in Ukraine all the same. The only question is—whose authority? Our own or one set up by a foreign state?

Deputy Publishes Book on Embezzlement, Graft

944F1290B Moscow OBSHCAYA GAZETA
in Russian No 32, 12 Aug 94 p 3

[Article by Stanislav Tsalik: "Nowadays Meat in Ukraine Is at a Hefty Price"]

[Text] Ukrainian People's Deputy Les Tanyuk has published a book entitled "Who Ate My Meat?" in which he has drawn back the curtains on the true scope of larceny in Ukraine.

Here are several examples of larceny in some detail. Who has heard about the nuclear plant in Kazakhstan? Yet the Odessa-based Tezaurus Association contrived to steal there and ship to Iran a container of ampules filled with radioactive sources of radiation. Some 1000 tonnes of magnesium were openly exported from the Transcarpathian city of Kalush, and 17 railroad cars of titanium were shipped from Odessa. In toto, during last year in Ukraine 85 kg of gold, 1100 kg of silver, and 25 kg of platinum were rescued from illegal export....

The more enterprising persons and companies steal on a larger scale. For example, a U.S. citizen named Dave Deverman [name as transliterated] concluded in the name of the firm Photon Barter Group a contract with a Lugansk metallurgical plant to export cast-iron tanks worth a total of 8,840,000 German marks. The joyful plant owners quickly shipped their products, but shortly thereafter Deverman declared bankruptcy and disappeared. This was in March 1993. As early as June, Deverman showed up in Dnepropetrovsk as president of a company called "American Impex." And he concluded with the local Metallurgical Plant imeni Komintern a contract for bartering rolled metal worth a total of \$1.999 million. After receiving the products, he again disappeared. A month later he cleaned out the Plant imeni Petrovskiy for \$2 million, and then Zaporozhstal. Mr. Deverman is now being sought by Interpol.

And it is thanks to Les Tanyuk that a deal entailing a loss for Ukraine is no longer a secret. This deal involved the purchase at a very high price in the United States of seed corn that turned out to be unsuitable for use. The deal

also involved the purchase of farm equipment that subsequently proved to be Volvo automobiles for the nomenklatura. The piquancy of this story consists in the fact that the contract with the Americans was signed by the chairman of the Zemlya i Lyudi Association, former Minister of Agriculture and present First Deputy Chairman of the Ukrainian Supreme Council Aleksandr Tkachenko.

The former chairman of the Odessa City Soviet, Vasiliy Simonenko, ordered for this city a plant for processing drinking water. A sum of \$2.8 million was sent to Austria—but now there is neither money nor a plant. This did not prevent Simonenko from becoming an adviser to Kravchuk.

The chronicle of larceny is astounding. Upon closing this book, one recognizes with sadness that the history of independent Ukraine is a history of shady deals and scandals. And, like the author himself, one must ask the question: "Just who ate my meat?"

Crimean Council Liquidates Old, Creates New TV Company

944F1290A Moscow OBSHCAYA GAZETA
in Russian No 32, 12 Aug 94 p 2

[Article by Aleksandr Lyusyy: "The Plan Has Remained on Paper"]

[Text] A session of the Crimean Supreme Council has adopted a decision on liquidating the Krym Television and Radio Company as a subdivision of the Ukrtelevradiokompaniya [Ukrainian Television and Radio Company] and on creating a Crimean Television and Radio Company based on it.

In the opinion of observers, this decision is aimed primarily at removing from office the chairman of the Krym Television and Radio Company, Valeriy Astakhov. All the more so in that the Crimean mass media has obtained a copy of the following letter, written by Astakhov to the former president of Ukraine, Leonid Kravchuk.

"As we have come to know, there is a plan to reorganize the Krym GTRK [State Television and Radio Company]. In this situation Ukraine should adopt effective measures to preserve and maintain an ideological presence on the republic's airwaves. In connection with this, a proposal will be submitted for your examination and consideration with regard to creating a powerful television and radio station on Crimean territory.

"There is a television and radio broadcasting station on Ay-Petri Mountain (on the southern coast of Crimea), which is located on the territory of a PVO [air-defense] military unit, and there is a second one located right nearby (at a distance of 600 meters). These facilities are situated at an altitude of 1400 meters above sea level. Such television towers are unique in the world. It is proposed to set up powerful (5 or 10 kWt) transmitters

here. Their effective radius would allow them to broadcast a signal not only throughout the entire territory of Crimea, but also to Odessa, Kherson, Krasnodar, Sochi, and even to Ankara and other Turkish cities. Some \$350,000-\$400,000 would be required to organize the Ay-Petri-Krym Television and Radio Company and to fit it out with equipment up to international standards. The creative collective of the Ay-Petri TRK [Television and Radio Company] would be staffed with the best pro-Ukrainian-minded personnel of the Krym GTRK.

"If you accept the above-mentioned plan and agree with the goal of speeding up its implementation, I would ask you, Leonid Makarovich, to issue the appropriate urgent instruction with regard to rendering assistance to me. V. Astakhov."

Viktor Pryadko, chairman of the Ukrainian State Property Fund, and Vitaliy Radetskiy, minister of defense, were assigned the task of putting the above-mentioned concept into practice.

However, this next "plan of the century" has still remained on paper: In the opinion of communications experts, under Crimean conditions a television signal cannot reach more than 150 kilometers.

ECONOMIC AFFAIRS

Enterprise Directors View Operations

944K2200A Simferopol KRYMSKAYA GAZETA
in Russian 23 Aug 94 p 1

[Government of Crimea Press Office statement: "In the Government of Crimea"]

[Text] A council of managers of Crimean enterprises was held on 19 August in the Government of Crimea with the participation of Deputy Prime Minister Ye.F. Saburov, Finance Minister L.M. Zaytseva, Economics Minister A.V. Chernyavskiy, and A.R. Franchuk, minister for state enterprises. There was a discussion of the problems that are preventing enterprises from stabilizing the situation, working with important investors, and expanding the market for the sale of their products. A.S. Batalin, general director of the Fiolent Plant and chairman of the Council of Enterprise Directors of Crimea; F.L. Shishov, general director of Foton; A.I. Lazarev, general director of the GAZavtotekhhobsluzhivaniye Association; and V.G. Onishchenko, general director of the Crimean Garment Association, spoke at the meeting and made certain proposals.

The point at issue was that, under conditions where the government and the enterprises are not being allowed to make fundamental reforms, specifically, to begin implementation of the privatization program, it was essential to seek specific methods to help the enterprises at least remain afloat. It is an interesting fact that 95 percent of Crimea's industrial enterprises are profitable and that

their product is in demand. And, if a number of problems in Crimea are resolved and negotiations with Russia and Ukraine on painful issues, specifically, reciprocal payments, customs restrictions, and so forth, are continued, this in itself will afford the Crimean economy a chance to breathe a little more freely and to attract certain investments.

Prospects for 1995 Employment Market Viewed

944K2213A Kiev BIZNES in Russian No 30, 2 Aug 94
op 1,5

[Interview with Margarita Shalenko, section head at the Scientific-Research Center on Problems of Public Employment and the Labor Market of the Ukraine National Academy of Sciences and Ministry of Labor, conducted by BIZNES correspondent Tamara Mayboroda: "Unemployment-95: Prognosis for Consideration"]

[Text] "Each year, undertaking the development of the regular program of employment (and this will already be the fourth), we try to look into the future, to predict the scope of work with the unemployed population. This is important because the anticipated number of unemployed persons will also determine the character of work on the labor market (i.e., will it be primarily preventative or fire-brigade type), and the specific content of individual measures," stated Doctor of Economic Sciences Margarita Shalenko, head of one of the leading sections of the Scientific-Research Center on Problems of Public Employment and the Labor Market of the NAN [National Academy of Sciences] of Ukraine and the Ministry of Labor, at the beginning of her discussion with our BIZNES correspondent.

[Correspondent] So what prerequisites in the economy and in the social sphere will determine the scope and the specific processes on the labor market in the regions of Ukraine in 1995?

[Shalenko] I believe you will agree that the situation for prediction of government economic policy and, accordingly, its influence on employment, still remains indefinite. As before, there will be no direct connection with the clearly expressed quantitative regularity between the decline in production and the growth of unemployment. We cannot discount the fear of social upheavals, to which mass unemployment is capable of leading. This aims us toward an inhibited prediction of its growth.

At the same time—and this is the second prerequisite of the prognosis—there is the most difficult economic situation, which objectively determines the deterioration of prospects on the labor market, the growth in the number of unemployed, and the decline in motivation of labor...

Moreover, as we know, the decline in production is not only continuing, but increasing. The policy directed at curbing inflation and eliminating the budget deficit has in fact stopped the investment activity of enterprises,

reduced solvent demand to a minimum, and largely facilitated the activization of the shadow economy.

Hidden unemployment (mandatory leaves), though not legitimized, has turned into a mass phenomenon and now encompasses up to 20 percent of the able-bodied population.

[Correspondent] But perhaps, finally, the economic decline will be replaced by at least a relative uplift?

[Shalenko] The recovery of our economy in the coming year is problematic. We recall the words of Vitaliy Maslov to the effect that for the coming year the economic situation depends on the harvest, and the harvest, according to his estimates, is expected to be one of the lowest in the last 20 years. In the best case, with a change in the policy of taxation and introduction of a number of protectionist measures in regard to the domestic producer, considering the current disintegration and inertia of economic processes, we can expect that the decline in production will be stopped no sooner than the second half of 1995.

So, we will have to tighten the budget belts!

Investment activity of state enterprises and investments in the national economy from the budget are expected to be insignificant. Correspondingly, the possibilities for employing the unemployed are equally insignificant. The possibility of subsidies to enterprises will also decrease. Specifically, as the prime minister said, there are plans to repeal subsidies to unprofitable enterprises, to bring them to the necessity of changing their form of ownership, including sale to foreigners if they guarantee retention of jobs and social guarantees.

[Correspondent] The program speech of Aleksandr Moroz also envisions the implementation of a policy for overcoming the crisis in 1995, specifically the realization of an effective program of employment. But will this mean a course toward effective employment which provides for a departure from full employment and legalization of unemployment?

[Shalenko] It provides for a gradual curtailment of unpromising types of production in combination with social protection of the workers. On one hand, such an approach and the difficult economic situation force us to expect an increase in layoffs and unemployment. But we are already not the same people we were 2-3 years ago. We are trying to analyze the inconsistencies and gaps which exist between intentions, declarations and real life.

The key concept in the policy of employment at the present time is not productive employment, but social protection and preservation of jobs. The differentiated approach to layoffs from enterprises with consideration for state priorities does not have either the necessary conceptual, nor legal, nor methodological, nor organizational substantiation. Especially since, as before, we still do not have an integral and non-contradictory strategic

program for reforming the economy and for structural reorganization of production. We have not yet overcome the opposition of political forces, who still have not come to conceptual agreement on the course of reforms, while many of today's representatives of the power structures simply do not have a clear understanding of this vitally important question. It is not quite clear, for example, what constitutes unpromising types of production in the definition for 1995 of such priorities as agriculture and the processing industry, the fuel-energy complex, scientific-intensive sectors of industry and capital construction. The facilities of the social infrastructure are practically the only ones which are not mentioned here.

No one wants (and cannot) to take the full responsibility for declaring a certain enterprise unpromising, since there always remain objective reasons, conditions and circumstances to explain the unprofitability.

And so the new head of Minmashprom [Ministry of the Machine Building Industry] Petrov, in an interview with the newspaper VSEUKRAINSKIYE VEDOMOSTI, expressed the intention to build a healthy economy, in which there would not be any unpromising enterprises and pseudo-occupied jobs. Yet from his words we may also draw the conclusion that unemployed workers will be listed on the rolls of the enterprises until the economic situation becomes such that these people will be able to find employment for themselves in other sectors. In any case, for the next year the prerequisites for hidden unemployment in machine building and at enterprises of the VPK [military-industrial complex] will be retained.

[Correspondent] In the developed countries these processes are regulated in a certain manner, but how about here?

[Shalenko] That is the problem, that the mechanism of such regulation has not yet been worked out in Ukraine, either at the level of legal statutes or of organizational ones. For example, to influence this process, there are plans to create at least three commissions at the local level of power: The first—on the principle of regulation of mass layoffs; the second—on the principle of implementing economic improvement of state enterprises, and the third—or expert council—on the tasks of the state employment program for 1994. Thus, the "measures" are clearly there, but the train has not yet pulled out of the station, as they say.

[Correspondent] The position of the enterprises, which in their overwhelming majority are synonymously aimed at preserving jobs and which view stabilization of the sphere of labor as the main form of social protection of the population, stands out in strong opposition to the growth of unemployment, and is fully understandable in such indefinite conditions.

[Shalenko] You know as well as I do that such a position today, including at the stage of voucher privatization, unfortunately, is acceptable to many.

Only half of those who are placed on the layoff lists actually get laid off. Yet in fact, hidden unemployment is growing: There is a re-distribution of cadres between persons who are forced to work part time and those who are on leave. There is getting to be more and more of the latter.

The other side of hidden unemployment is the possibility of unregulated employment of the population. According to our estimates, around 3 million formally unemployed persons and around 6 million workers and students of Ukraine are involved in this. According to the estimates of the MVF [Not further expanded], half of the non-accounted national income is created and consumed here. The policy of curtailing entrepreneurship has defined new tendencies in the development of this sphere. Both the economy and the individual are adapting to it. Here small-scale private initiative has died off to a significant degree: Those who yesterday worked as "shuttles" today live primarily off of the dividends received from commercial trust companies. The relative share of foreign labor migrations has increased. Most of the money in the unregulated sphere is associated today with the formalized sector, with enterprises, including state enterprises, and money is being made in the so-called nomenclature business. A mafia social group has been formed, which stands to profit from the current economic chaos and legal inconsistency. This group's influence on politics, including also at the regional level, as well as its influence on the fate of individual enterprises, may be very significant, especially in the promised next round in the fight against corruption.

[Correspondent] Summarizing what you have said, we may note that the prerequisites and conditions which will influence the '95 labor market are indeterminacy of the situation, the difficult economic position, hidden unemployment, unregulated employment, the strict position of enterprises, lack of well-ordered mechanisms, contradiction in policy and opposition of forces in politics.

But what are the conclusions?

[Shalenko] They make themselves apparent: We need a revitalization of enterprises, bankruptcy, privatization, and restructuring on individual points. We need regulation of the status of partial unemployment and social protection of these workers. The prevalence of social policy over economics will be retained on the whole, with the purpose of avoiding conservation of hidden forms, and with a lean budget. As a result—the employment assistance fund will be eaten up.

Rejection by the real labor market of the measures of active policy which the employment service may offer leads to intensification of the disproportions in the sphere of employment.

This is confirmed also by the expert opinion of Minister of Economics Roman Shpek, who believes that production is doomed to hidden unemployment for another

year to come, until the finances of the state and of enterprises are not separated from each other.

On the whole, however, a certain estimated growth in the dynamics of processes on the labor market is predicted as compared with 1993 and 1994, with retention for 1995 of all the basic tendencies formulating it in previous years.

The prediction is rather brave... To us it seems quite realistic. I will repeat only that "small-scale" unemployment and its mandatory curtailment at low levels is in no way evidence of prosperity in the economy. To a certain measure, if we proceed from the objective economic laws, this is forcefulness over a system, to which the latter responds with a decline in the motivation of labor, unregulated employment and emigration. In general, in economics one can never draw a definite and synonymous conclusion about an individual figure.

A more in-depth analysis requires clarification of the parameters of the current year 1994, on which the edifice of prognosis for 1995 is built. Thus, the total number of unemployed persons who have appealed to the employment service and been placed on account with it will comprise less than 650,000 persons for the year. It is expected that among them there will be fewer persons who were laid off or dismissed for reasons of staff turnover than there were before, and that there will be two times fewer new graduates and four times fewer homemakers. According to our estimates, in 1994 alone approximately 9.5 percent of the volume of movement of the work force on the labor market will pass through the employment service, as compared with 8.4 percent in 1993.

We must say that the system of predictions is developed in two variants: One of them presupposes an optimistic, but on the whole improbable, situation of revitalizing economic life, which is reflected in the growth of employment in the national economy by 500,000 persons. The other models the continued reduction of employment. It is acknowledged to be more realistic, and therefore will be used as the basis for further computations.

[Correspondent] And what are they?

[Shalenko] From the computations it turns out that the mobile part of the labor market (around 7 million persons) annually comprises around 24 percent of the number of labor resources entering this market primarily from the national economy, for the most part through cadre turnover. At the same time, pressure is growing on the labor market from the unemployed able-bodied population. The relative share of this source of formation in the overall volume of movement of the work force on the labor market is gradually growing, from 28.2 percent in 1993 to 44.4 percent in 1994 and 47.2 percent in 1995. For 1995 it is predicted that one-third of those who have left enterprises will be persons who have been

laid off. Due to the reduction of capacities for employment, the number of the unemployed able-bodied population will continue to grow at the rate of about 300,000 a year. According to the computations, the volume of employment will be 25 percent less than in 1992. While in 1993, 44.5 percent of the work force circulating on the labor market was placed in jobs, in 1994 this figure is expected to be 35.5 percent, and in 1995—46.5 percent according to the first variant (the optimistic one), but only 32.9 percent according to the second, more realistic, variant. This testifies to the gradual increase in tension on the labor market. Nevertheless, there is hope that the avalanche growth of unemployment is improbable. The situation, in brief, is characterized by the prevailing orientation of enterprises and departments toward preservation of jobs and cadres, the indeterminacy of directions, priorities and mechanisms of structural reorganization—and therefore the preservation of hidden unemployment; the low dynamics of creating new jobs, primarily in the state sector, in small-scale forms of entrepreneurship, and in self-employment—and therefore the low demand for manpower; the preservation of insufficient motivation toward labor and the possibility of obtaining certain income from unregulated activity. Such an evaluation of the factors which influence the labor market does not exclude the possibility that individual enterprises will sharply increase their volumes of layoffs. It is envisioned that on the whole throughout Ukraine the volume of layoffs will increase by 57.6 percent as compared with 1994, and will comprise 320,000 persons. A large part of those who have been laid off will turn to the employment service. The growth of numbers of graduates of educational institutions on the labor market will continue. The overall volume of job placement with the aid of the employment service will remain at approximately the same level as that of the current year.

It is presumed that Rivno, Ivano-Frankovsk, Volyn, Ternopol, Zhitomir, Zakarpatsk, Lvov, Kherson, Khemnitsy, Chernigov and Chernovtsy Oblasts will exceed the average republic indicator for layoffs. The lowest level of unemployment is envisioned for Dnepropetrovsk, Lugansk and Kharkov Oblasts, and for Kiev. According to this variant the not quite favorable conditions are retained in the economy and the labor market for implementation of an active policy by the employment centers, specifically for the creation of additional jobs, development of public works, professional re-training and education. However, further delay in practical realization of the differentiated approach to retaining cadres and to the expediency of maintaining hidden unemployed persons at individual enterprises, the passive position of wait-and-see, have a negative effect on the economic development of Ukraine on the whole, reduce the capacities for rapid recovery of the economy, and facilitate its rebirth, but not along the path to a civilized socially oriented market, but to a semi-shadow unregulated system.

We also cannot exclude another variant of prediction, according to which a definite revitalization on the labor market is anticipated, the prerequisite for which will be a growth in the overall volume of layoffs.

But, considering the retention of the unfavorable conditions which determine the presence and spread of hidden unemployment, it will remain a stagnant phenomenon, encompassing all new enterprises from time to time.

On the whole, the complexity and indeterminacy of today's situation and the prospects of structural policy retain conditions for stabilization if not of the cadres, then at least of the jobs in the base sectors, despite the continuing decline in production.

[Correspondent] It is not a happy picture...

[Shalenko] The quantitative parameters of the prognosis should not be appraised tragically. Our employment service is fully ready to offer its services in a highly professional manner to the unemployed public. So that even 1.3 million people on the labor market—that is certainly not a social upheaval. It is a long way from avalanche unemployment. At the same time, if we embark upon the path of giving compensation to persons who are on forced leave, then for every month every 100,000 such workers would have to be paid around 40 billion karbovantsy. I will remind you that, in fact, in the first quarter of this year the sum of unemployment benefits paid out comprised 18 billion, while 20 billion was spent on professional training and re-training, 350 million on performing scientific research, and around 63 billion karbovantsy was spent on maintaining the state unemployment service.

Thus, both variants of the prognosis for the labor market and unemployment stem from the prerequisite that over the duration of 1995, at least the first half year, insufficiently favorable conditions for economic growth, dynamic movement of investments, and creation of jobs will be retained. The dynamics of growth of unemployment, as before, is detached from the actual decline of production. But, since such a decline is occurring much more rapidly than unemployment is growing, the first variant may be defined as being extrapolated and "weak," and the second—also extrapolated, but "moderate."

Both variants are also united by the low capacity of the labor market—the insufficient demand for manpower. Under such conditions, the only method of preventing the growth of unemployment would be the comprehensive aid of entrepreneurial activity, profitable economic management for enterprises of all forms of ownership, and civilized forms of self-employment of the population.

Ultimately, we must come to such a situation when employment will be an independent value, and the status and material provision of the worker will be the highest for those who are not employed.

First Half 1994 Economic Survey

944K2129A Kiev URYADOVYY KURYER
in Ukrainian 2 Aug 94 p 6

[Report by the Economic Administration of the Cabinet of Ministers: "Ukrainian Economy in the First Half of 1994"]

[Text] The economic situation remained extremely strained in June. The solvency crisis of enterprises and organizations mounted, and their financial position deteriorated.

Compared to the first half of last year, the **national income** fell by 28.5 percent (by 34 percent in January through May).

At the same time, it should be noted that favorable changes in the operation of industry have emerged over the last two months. Compared to the previous month, the volume of industrial production in June grew by 10.4 percent (in May—by 7.5 percent). In June, the decline in industrial production slowed down at the enterprises of most oblasts and almost all sectors of industry.

On the whole, the output of industrial products in the first half of the year fell by 36 percent compared to the corresponding period of last year (in January through May—by 38.2 percent).

Implementation of the State Budget

Between January and May, the **revenues of the consolidated budget** came to 119.4 trillion karbovantsy, or 84.7 percent of the calculated plan for five months. Within-the-year credit from the National Bank in the amount of 26.6 trillion karbovantsy was obtained in order to finance the temporary cash gap between expenditures and the sums of receipts in keeping with the decisions of the Supreme Council and the president of Ukraine. With the inclusion of this credit, the revenues of the consolidated budget came to 146 trillion karbovantsy, or 87.1 percent of the five-month plan.

The value-added tax came to 28.7 trillion karbovantsy (109.2 percent of the five-month plan), the tax on the profits of enterprises and organizations—to 34.1 trillion karbovantsy (160.8 percent), the excise taxes—to 3.4 trillion karbovantsy (39.4 percent), and the income tax on citizens—8.4 trillion karbovantsy (133.6 percent), the contributions of enterprises and organizations to the Fund for Measures to Eliminate the Consequences of the Chernobyl Disaster and Social Protection of the Population—5.8 trillion karbovantsy (110.1 percent). Receipts from foreign economic activities came to 3.7 trillion karbovantsy (38.1 percent) and those of the Retirement Benefit Fund—to 21.2 trillion karbovantsy (96.4 percent).

In total, taking into account within-the-year bank credit, 34.9 percent of the yearly target for revenues were received during the five months, and without the credit—28.6 percent.

Expenditures of the consolidated budget came to 139.3 trillion karbovantsy, or 77.4 percent of the five-month plan and 33.3 percent of yearly targets. Of these, 16 trillion karbovantsy (11.5 percent of total expenditures) were allocated for measures to offer social protection to the population, 31 trillion karbovantsy (22.3 percent)—to finance socio-cultural projects, and 33.7 trillion karbovantsy (24.2 percent)—to finance the national economy. The outlays of the Retirement Benefit Fund came to 24.5 trillion karbovantsy, defense expenditures—to 6.1 trillion, and those to maintain law enforcement and customs organs and the tax service—to 4 trillion karbovantsy.

With the inclusion of credit from the National Bank of Ukraine, the **state budget** was implemented in January through May in the amount of 105.9 trillion karbovantsy on the revenue side (78.5 percent of the five-month plan and 31.6 percent of the yearly target) and 102 trillion karbovantsy on the expenditure side (73.6 percent and 30.4 percent, respectively).

The state budget took in the value-added tax in the amount of 17.5 trillion karbovantsy (89.1 percent of the five-month plan and 24.7 percent of the yearly plan), the tax on the proceeds of enterprises and organizations—12.4 trillion (173.3 percent and 52.8 percent, respectively), and excise taxes—2 trillion karbovantsy (30 percent and 9.9 percent, respectively).

In view of a considerable underfulfillment on the revenue side of the state budget and a temporary cash gap between receiving revenues and making expenditures, the Ministry of Finance continued to restrict, through special procedures, financing for almost all projects envisioned for the current year, with the exception of wages for the employees of the nonproduction sphere, expenditures for medical and pension services, and the implementation of social programs.

Some 6.1 trillion karbovantsy (62.8 percent of the five-month plan and 33.4 percent of the yearly target) were used to finance social protection measures for the population, 5.2 trillion karbovantsy (51.4 percent and 19.5 percent, respectively)—to finance education, culture, health care, physical education, and sports, and 31.4 trillion karbovantsy (62 and 31.6 percent)—to finance the national economy.

Between January and May, short-term loans from the state budget in the amount of 194 billion karbovantsy were granted to oblast and city state administrations to ensure timely financing for priority expenditures, and 6.5418 trillion karbovantsy were transferred to local budgets in mutual settlements and issued as grants.

Operation of the Banking System

The internal funds of banks located in the territory of Ukraine came to 14.6 trillion karbovantsy in May and increased by a factor of two since the beginning of the year, including a 6 percent increase in May.

The total amount of **credit outlays** (loan debt) of the banking system for the economy of Ukraine as of 1 June came to 117.3 trillion karbovantsy, of which the National Bank accounted for 50.2 trillion karbovantsy, commercial banks for 67 trillion karbovantsy, and branches of commercial banks from the countries of the former USSR—178 billion karbovantsy.

Credit outlays increased by 64.1 trillion karbovantsy, or by a factor of 2.2 since the beginning of the year (in May compared to the previous month—by 10.2 trillion karbovantsy, or 10 percent), of which those of the National Bank—by 36.8 trillion karbovantsy or by a factor of 3.8, respectively (in May—by 2.9 trillion, or 6 percent), those of commercial banks—by 27.2 trillion karbovantsy, or a factor of 1.7 (in May—by 7.3 trillion, or 12 percent).

Credit extended by commercial banks as a proportion of the total volume of credit as of 1 June came to 57.1 percent (as of 1 January of this year—75 percent, and as of 1 May—55.7 percent).

As of 1 June, the National Bank had extended credit in the amount of 12.3 trillion karbovantsy (based on credit debt) to **refinance commercial banks**, which was 420 billion karbovantsy more than in the previous month (in April, 165 billion karbovantsy more).

Financial Standing of Enterprises and Organizations

Accounts payable between enterprises and organizations of Ukraine and economic entities from the countries of the former USSR grew by a factor of 2.1 since the beginning of the year (in May—by 15.4 percent, in April—by 8.1 percent), and as of 1 June came to 26.1 trillion karbovantsy; accounts receivable increased, respectively, by a factor of 1.5 (by 4.4 and 9.2 percent) and came to 8.4 trillion karbovantsy.

Accounts payable by Ukrainian enterprises to trading partners from Russia increased in May by 18.2 percent, and in total since the beginning of the year—by a factor of 2.1 (from 10.1 trillion karbovantsy as of 1 January to 21.3 trillion karbovantsy as of 1 June), and to those from Turkmenistan—by 0.2 percent and by a factor of 2.6, respectively (from 1.2 trillion karbovantsy to 3.1 trillion karbovantsy).

Inflationary Processes

According to preliminary data, **wholesale prices** for industrial products increased by 71 percent since the beginning of the year (in June, by 3 percent as compared to May), including an increase of 90 percent for the products of the fuel industry (5 percent), and within it, the products of the coal industry—a factor of 5.2 (a reduction of 1.1 percent), the products of ferrous metallurgy—a factor of 2.7 (an increase of 3 percent), the products of timber, wood-processing, and pulp-and-paper industry—a factor of 2.5 (4 percent), machine building—94 percent (3 percent), light industry—92

percent (5 percent), the construction materials industry—a factor of two (0.8 percent), food processing—52 percent (3 percent), the meat industry—17 percent (0.1 percent), and butter, cheese, and dairy industry—by 12 percent (dropped by 1.2 percent).

Procurement prices for agricultural products increased by 22 percent in the first half of the year, including a 26-percent increase in prices for cattle and poultry and an 11-percent increase in prices for milk and dairy products. Egg prices fell by 7 percent. Compared to May, prices for agricultural products fell in June by 2 percent, including a 5-percent fall in prices for milk and dairy products. Prices for cattle and poultry grew by 4 percent and for eggs, respectively, by 8 percent.

On the Operation of Individual Sectors of the National Economy

The output of the **coal industry** continued to decline in June. Since the beginning of the year, 52.5 million tonnes of coal have been produced, which is 8.1 million tonnes, or 13.4 percent, less than during the January-June period of 1993. Some 75.4 percent of the June target for coal production was met (2.6 million tonnes of coal were not delivered); since the beginning of the year, 85.2 percent of the target has been met (9.1 million tonnes have not been delivered). The volume of coking coal production during the six months came to 20.3 million tonnes, which was 3.6 million tonnes, or 14.9 percent, less than during the corresponding period of last year.

Targets for state deliveries of coal products to Ukrainian consumers have been 101.6 percent met since the beginning of the year, including deliveries to power industry enterprises—152.8 percent, metallurgical enterprises—90.6 percent, state administrations—46.1 percent, and for exports—72.1 percent met. Besides, 1.2 million extra tonnes of fuel were shipped to Ukrainian consumers under direct contracts.

Between January and June, 2.1 million tonnes of **oil** were **produced**, including condensate gas (1.7 percent less than during the corresponding period of last year; during the January to May period—1.8 percent less) and 9.2 billion cubic meters of **gas** (4.6 and 5.1 percent less, respectively). Some 1.3 million tonnes of oil were delivered to oil refineries under the state contract, whereas the plan called for 1.1 million tonnes.

A certain improvement in the operation of enterprises in the **metallurgical industry** continued in June, just as it did in May. The average daily production of metal, steel pipes, and rolled goods in June relative to May increased by 1.1, 22.7, and 6.3 percent, respectively, and by 19.7, 60.5, and 30 percent in the second quarter as compared to the first quarter. At the same time, the volumes of their production between January and June came to as little as 70.9, 36, and 66.7 percent of the output levels for these kinds of products during the corresponding period of last year.

The situation in the **chemical and petrochemical industry** stabilized; the output of products in January through June in the industry dropped by 39.5 percent compared to the corresponding period of last year (by 58.9 percent during the January-May period).

During the six months, the production of **machine-building** output dropped by 47.8 percent (during the five months—by 51.2 percent). Out of 120 key types of products, the production of as few as eight was up, including explosion-proof electric motors, power transformers, long-distance communications cable, technical equipment for foundry production, and specialized tank cars.

The situation in the **construction materials industry** remains grave. Despite the enterprises of the Ukrsement concern continuously increasing the production of cement and asbestos cement sheets since February (compared to May, their average daily output increased by 9 percent and 15.8 percent, respectively), their production in the first half of the year fell by 37.6 and 58.8 percent, compared to the corresponding period of last year.

The volume of output of gross **agricultural** product fell by 5 percent in the first half of 1994 compared to the corresponding period of last year.

The state of affairs in **animal husbandry** did not improve. The output of animal products on an overwhelming majority of farms declined. Compared to the corresponding period of last year, the volume of meat production in January through June fell by 23 percent and came to 1.1 million tonnes, that of milk production—by 2 percent and 5.7 million tonnes, and that of egg production—by 25 percent and 2.6 billion.

The volume of cattle and poultry procurement fell by 426,100 tonnes (by 34 percent) and came to 839,600 tonnes; milk procurement—by 676,500 tonnes (by 14 percent) and 4,306,300 tonnes, respectively; egg procurement—by 871,300 million (by 31 percent) and 1.9542 billion.

The state of affairs in the **investment sphere** remains strained. A lack of proprietary customer funding and a shortage of state capital investment have greatly aggravated the problem of financing capital construction, sharply reduced the potential of the construction complex, and brought about work being wound up at a number of facilities under construction.

Between January and June, capital investment came to 51 trillion karbovantsy, and outlays on construction and installation work—to 38.5 trillion karbovantsy, which was 25 percent and 12 percent less, respectively, than during the corresponding period of the previous year.

The operation of the **transportation sector** continued to deteriorate in view of a fall in social production, instability and disruption of economic relations, a shortage of energy resources, and the absence of funds to settle for them.

A raise in passenger transportation fares depressed the demand for it; for this reason, passenger transportation fell by 15 percent as compared to the first half of 1993. Passenger traffic fell by 14 percent, including a 19-percent fall in air and motor vehicle transportation and an 11-percent fall in railway transportation. Growth by 2.5 percent was achieved in maritime transportation.

Market for Consumer Goods and Services

During the six months, **consumer goods** worth 113.9 trillion karbovantsy were produced which was almost 38.6 percent less than during the respective period of last year, including **nonfood goods**—respectively, 42.4 trillion karbovantsy, or 48.6 percent less (during the January to May period, the output of consumer goods fell by 40.2 percent, including a 48.6 percent decline in nonfood goods).

The output of **light-industry** goods fell by 59.3 percent and came to 13.2 trillion karbovantsy. The output of fabrics fell by 52.3 percent, of which silk fabrics fell by 72.7 percent, woolen fabrics—by 62.8 percent, cotton fabrics—by 38.7 percent, flax fabrics—by 24.9 percent, apparel—by 65.7 percent, hosiery and knitwear—by 43.3 and 54.8 percent, and footwear—by 68.1 percent. The average monthly production of consumer goods at the enterprises of the State Committee for Light and Textile Industry fell by 60 percent compared to the first half of last year.

The output of most types of goods for cultural, service, and household uses, especially sophisticated household machinery and electrical appliances, declined sharply due to the payment crisis and high product prices, as well as the absence of materials and accessories. Thus, compared to the January through June period of last year, the output of TV sets fell by 57.3 percent, of tape recorders—by 84.2 percent, of refrigerators—by 23 percent, of washing machines—by 42.1 percent, and electric irons, electric vacuum cleaners, radios, and cameras—by more than one-half.

The output of consumer goods at the enterprises of the timber, woodworking, and pulp-and-paper industries continued to fall. In the first half of the year, furniture production fell by 49.2 percent as compared to the corresponding period of last year, wallpaper production—by 56.5 percent, and that of school notebooks—by 85 percent.

During the six months, **foodstuffs** production fell by 27 percent compared to the corresponding period of last year (by 29 percent during the January through May period), including a decline by more than one-third in meat, meat products, whole-milk products, margarine, and pasta products, by more than one-half in confectioneries, by 24-28 percent in vegetable oil and table salt, by 12.3-36.2 percent in flour and groats, and by 7 percent in butter.

Between January and June, the volume of **retail sales** came to 100 trillion karbovantsy, or just 58.3 percent of

the volume of the corresponding period of last year; in June of this year, it increased by 2.6 percent compared to May. Inadequate solvency of the population, a decline in the inflow of consumer staples to the chain of retail outlets in conjunction with a fall in their production, and a considerable debt of trade organizations to the suppliers of goods because of a shortage of working capital are characteristic of the environment of the consumer market.

Merchandise inventories in retail trade grew by 1.4 trillion karbovantsy, or by 6 percent in June, and came to 25.3 trillion karbovantsy because of the low solvency of the population (regardless of a drop in the flow of merchandise to trade organizations).

Marketplaces whose volumes of sales keep growing play a great role in meeting the needs of the population for foodstuffs. During the six months of this year, the sale of wheat flour at the marketplaces of 53 Ukrainian cities increased by 83.6 percent, of potatoes—by 9.1 percent, of fresh cabbages—by 9.3 percent, of beets—by 5.9 percent, of garlic—by 8.8 percent, of fruits and berries—by 2.1 percent, of meat—by 43.1 percent, of lard—by 8.7 percent, of milk—by 74.2 percent, of butter—by 40 percent, and of eggs—by 53.8 percent.

The volume of paid services fell by 20.6 percent compared to the January through June period of last year and came to 15.6 trillion karbovantsy.

Certain Issues of the Standard of Living of the Population

Compared to December, the **monetary income of the population** increased by a factor of 1.4, and came to 28.6 trillion karbovantsy in May.

On a per capita basis, such income came to 548,700 karbovantsy compared to 615,500 karbovantsy in April and 370,900 karbovantsy in January of this year.

The **average wage** of workers and clerical employees in the national economy came to 942,600 karbovantsy in May, which was 6.7 percent more than in April of this year. The employees of the finance, credit, and insurance sector, nuclear and hydropower stations, the coal and oil industries, subways, and the construction sector had the highest average wages—between 2,241,000 and 1,331,000 karbovantsy. The employees of consumer services to the population, public catering, the apparel industry, social welfare, and agriculture had the lowest average wages—between 526,000 and 608,000 karbovantsy.

The growth of **prices** in state and cooperative trade, as well as at urban marketplaces, has stabilized in recent months.

Compared to May, prices for foodstuffs in Ukraine increased by an average of 2.7 percent in June (in May, as compared to the previous month—by 6.7 percent),

those for nonfood goods—by 4 percent (by 3.9 percent), and those for paid services to the population—by 8.5 percent (4.1 percent).

Between January and June, 221,400 citizens in need of assistance in their job search approached **employment services**. During this period, 90,700 persons were placed in jobs.

As of the end of June, the number of nonworking citizens registered with employment services came to 130,400, of whom the status of unemployed had been granted to 92,900, or 0.4 percent of the economically active population.

Between January and June, 44.1 billion karbovantsy were spent for unemployment benefits out of the State Fund for Facilitating Employment.

The average benefit per unemployed came to 198,600 karbovantsy in June.

Foreign Economic Operations

Between January and June, the total **volume of foreign trade** of Ukraine in goods came to \$7.3832 billion, of which exports accounted for \$3.6644 billion and imports for \$3.7188 billion, the negative balance coming to \$54.4 million.

It should be noted that foreign trade improved after January and February, when the negative balance of trade came to \$365.4 million and \$45.7 million, respectively, and in the subsequent three months, a positive balance was achieved in the amounts of \$136 million, \$15.8 million, and \$204.8 million, respectively.

Compared to 1993, the number and volume of **foreign investment projects** in the economy of Ukraine decreased considerably this year. Thus, between January and June of last year, the Ministry of Finance registered 2,605 investment projects worth almost \$700 million, whereas in the first half of this year—only 1,437 projects, worth \$283.1 million.

The present report has been prepared for informational purposes based on materials from the Ministry of the Economy, the Ministry of Statistics, the Ministry of Finance, and the National Bank of Ukraine.

Coal Industry Pricing System Viewed

944E1134A Moscow *RABOCHAYA TRIBUNA*
in Russian 12 Aug 94 p 4

[Article by V. OGuy, chief, Ukrainian State Committee for the Coal Industry: "They Went to the Market—and Wound up in the Bazaar"]

[Text] From 1952 through 1994, in Ukraine's coal industry wholesale prices on coal were revised 16 times; prices were raised 14 times, and only twice (1952 and 1955) were prices lowered as a result of strict orders to

reduce production costs following the introduction of the wholesale price list beginning on 1 January 1949.

As a rule, during the initial period of applying new wholesale prices, the coal sector operated at a profit (the wholesale price lists of 1936, 1949, 1982, and 1991 were exceptions to this rule). However, the relatively low level of profitability being adopted in the price lists under the conditions of the constant growth of expenditures for mining as a result of worsening coal mining conditions sharply declined. This sector soon began operating at a loss. During the period under review, Ukraine's coal industry was profitable only 24 years. During the remaining years it received state subsidies. Wholesale prices did not perform their functions; they did not serve as a measure of equivalent exchange between the producers and the consumers of coal products.

The initial step in bringing wholesale prices on coal closer to the socially necessary expenditures was the introduction of the wholesale price list beginning on 1 April 1992. Adopted as a foundation for wholesale prices on coal products were the average sectoral production costs and profits necessary for the production and social development of this sector's enterprises along with the deductions to be withheld. Prices on coking coals according to their grades were set by taking into account the coefficients of their technological value; while on coals used for electric power production this was done taking into account the coefficients of their electric power value.

This allowed us to eliminate an inequity of many years' standing with regard to the coal industry: Low wholesale prices on coal products unjustifiably turned this industry into a sector operating at a loss, whereas coal-consuming enterprises enjoyed all the advantages of profitable production facilities. However, under the conditions whereby wholesale prices are set on coal products, while since 1 January 1992 there have been free prices on the materials, equipment, and services used by the mines, the idea of regulating wholesale prices on coal in proportion to the rise of prices on the material resources and services being used and the rise of wages has not been implemented.

In order to restrain the rise of prices on coal and to prevent a chain reaction of rising prices on the products of the economy's other sectors, the coal industry already began receiving a subsidy as early as 1 July 1992. The size of this subsidy has increased, and within the sector the question of introducing free prices on coal has been posed more and more insistently. However, such a step would lead to more losses than gains.

First of all, the introduction of free prices on coal would push many mines to the brink of closing down. This would mean a decrease in Ukraine's security with regard to providing its own coal, not only as a result of closing down a number of mines, but also the noncompetitiveness of Ukrainian coal on the world market. Moreover, closing down the mines—which are the sole means of

employment for all the able-bodied population of mining settlements—would be fraught with serious social consequences.

At the present time a well-balanced policy of price formation is being carried out.

[begin boxed item]

The renovation of the coal industry of Russia, Ukraine, Kazakhstan, and other CIS republics affects the interests of millions of people. PROMYSHLENNYY VESTNIK requests that our readers in coal basins and mining settlements share their views and to draw up programs based on real life.

—Suppose that your section or mine is being closed down. Would it be possible for you to acquire a new occupation or a new job?

—What kind of participation is being engaged in by the trade unions with regard to working out and implementing programs of restructuring?

—How are your interests being protected?

[End boxed item]

Crimea's Investment Climate Viewed

944K2173A Moscow KOMMERSANT-DAILY
in Russian 17 Aug 94 p 3

[Article by Aelita Shakala and Irina Sheynberg: "Some Day the Crimea Will Become the Object of Investments"]

[Text] The economic situation in the Crimea continues to deteriorate despite the unique climatic conditions and contrary to the republic government's statement "on the breaking of the economic blockade." Independent experts predict the complete impoverishment of the Crimean budget by September 1994 already, a food crisis in October-November and, finally, the departure of Saburov's group to Moscow by December 1994.

The practice of a civilized market suggests that a skillful investment policy which includes the creation of investment funds, the launching of a system of mortgage lending, and the creation of a state securities market can become one of the ways out of an economic crisis. Crimea's economy requires enormous capital investments. This is related to the fact that the republic's fixed capital has not been replaced for a long time. The majority of industrial facilities is either completely worn out and obsolete or is in a state of paralysis from the lack of its own raw material base. The holiday and health resort zone requires universal repair of housing blocks and service lines and solution of the transportation and power and water supply problems. The level of service lags behind international health resorts not by decades and even not by an epoch but by an entire civilization.

As far as the stock market is concerned, it is now in complete disarray. The attitude of the citizens to state

securities is notoriously negative. And what is more the experts think that Crimea's population totally lacks an investor mentality. Nevertheless, even given such a depressing picture, there are brave optimists abroad who are ready to invest funds in the Crimea.

Despite Yuriy Meshkov's statement about "the factual creation of a Crimean loan fund," the accessibility of this fund, to all appearances, will be very circumscribed. The president of the republic of Crimea himself will manage the funds obtained. Another loan fund has originated in the depths of the Supreme Soviet, which will be governed only by the presidium of the republic's supreme soviet and will deal only with obtaining foreign investments. It is worthy of note that these funds will not be part of the state budget. And if foreign specialists will "keep an eye on" the president's fund, then parliament is itself the boss in its own fund.

Apart from the state funds, the Tauride Investment Fund (Tavrisheskiy investitsionnyy fond—TINFO) and the Crimean Mortgage Fund (Krymskiy ipotechnnyy fond—KIF) have been operating in the Crimea for two years already. Moreover the TINFO operates on the basis of the Ukrainian stock market and securities law and the KIF—of the mortgage section of the Ukrainian law on security (zalog). At the request of a KOMMER-SANT-DAILY correspondent the managers of these investment funds have tried to somehow clarify the situation in Crimea's investment expanse. Thus, in the opinion of Yuriy Yuryev, manager of the fund holding company whose system the TINFO is part of, the basic problem is not so much in attracting funds as in their profitable investment under reliable guarantees. However, today practically no one can give any guarantees whatever.

Construction problems occupy a special place in the Crimean economy. At the present time the majority of construction projects don't have enough money, which inflation "eats up" faster than they can manage to

materialize it in square meters. Furthermore, there exists an even more serious problem related to the land on which this construction is being done. According to the Ukrainian Land Code (in the absence of pertinent Crimean legislation), land, especially in the Crimea, must not be sold. According to President Kravchuk's edict on unfinished construction, the land subsequently converts into property. However, the fate of this Edict under the new president of Ukraine is unpredictable. And, in the opinion of investors, it is extremely dangerous to invest funds in construction in the absence of a legislative base.

In the opinion of KIF president Sergey Vanyushkin and director Tatyana Butyrskaya, the judgment that investment projects should guarantee a large profit and return in a short time is an extremely erroneous one. But almost everyone who is now attempting to operate in the Crimean market is striving precisely for this. As experience demonstrates, investment projects produce a gradual increase in income over a period of five to six years. It needs to be noted that the development of the investment market in the Crimea has been delayed by the introduction of an Ukrainian national currency (the karbovanets), which also has led to a surge of inflation. The mortgage is the most reliable form of loan since its basis is a material guarantee. KIF specialists participated in preparing the draft of a new mortgage law. The law is presently in the Supreme Soviet of the republic of the Crimea and its consideration is planned for September-October. The fact that the Saburov government had prepared its own mortgage law by simply having rewritten it from the two-year-old Ukrainian law on security and in the process having passed it off as reformatory, is interesting. The only innovation was the introduction into the law of the concept of the long-term lease which in essence distorts the entire meaning of the mortgage arrangement, which is based on the right of ownership or, at the least, of perpetual and indefinite use.

BELARUS**Lukashenko Promises, Actions Contrasted**

944F1190A Moscow NEZAVISIMAYA GAZETA
in Russian 29 Jul 94 pp 1, 3

[Article by Yuras Karmanov: "Preelection Promises and Real Politics"]

[Text] It appears that, having constructed his preelection program on populist and highly contradictory slogans, the main ones of which became the fight against corruption, orientation toward Russia, and state regulation of the economy, the 39-year-old first president of Belarus himself had doubts about his preelection promises. On the one hand, the burden of preelection promises does not enable him to carry out unpopular measures for the reorganization of the Belarusian economy and, on the other, the catastrophic collapse in the economy and inflation, which last year comprised 1,700 percent and, according to official data, rises by 50 percent every month, nevertheless, force him to pursue such measures. In Belarus a few days ago prices of vodka rose several-fold, which has already caused a wave of indignation on the part of voters. Rumors about a rise in prices of products are now spreading in an intensified manner. The report on ways of getting out of the catastrophic situation, which Aleksandr Lukashenko presented to Belarusian parliament members, served as the basis for this. Having taken the first step toward democratic transformations, Lukashenko virtually renounced the preelection promises to retain existing prices, to curtail privatization, and so forth.

Having noted that the policy of Vyacheslav Kebich's cabinet concerning the restraint of prices of energy carriers on the domestic market led to Russia's debts of R13.6 trillion at the beginning of July, Aleksandr Lukashenko stated that a tough policy of economy of electric power was being introduced in Belarus.

As a consequence, electrical heating equipment has already disappeared from stores, and it appears that the Belarusians will have a cold, as well as a hungry, winter. The principle of the scorched earth, according to which Vyacheslav Kebich, Aleksandr Lukashenko's chief preelection rival, acted, already makes itself felt. At the end of 1994, the Belarusian foreign debt will total \$2.3 billion. The process of "Ukrainization" of the economy has already led to the fact that in Belarus \$1 costs 28,000 Belarusian rubles, while minimum wages are 100,000. Announcing the need "to stop this business" by the end of the year, the Belarusian president did not indicate the method of slowing down inflation. It is impossible to count on the budget, which is full of holes as it is. Therefore, there is not yet a real replacement for a money machine turned on at full force.

Aleksandr Lukashenko was somewhat disappointing, having said that there would be no show trials of the mafia in the country. The president decided to confine

himself to the removal of people most undesirable to him from office. They include Pavel Kozlovskiy, former Belarusian minister of defense, who does not intend to withdraw from the court the suit brought against Lukashenko for libel; Gennadiy Danilov, government secretary for security matters; Pyetr Kravchenko, minister of foreign affairs; and others.

It appears that former Prime Minister Vyacheslav Kebich, whom Aleksandr Lukashenko repeatedly accused of corruption, does not intend to pass from the republic's political scene. A few days ago, it was suggested that Vyacheslav Kebich head the Belarusian Union of Industrialists. It is unlikely that Aleksandr Lukashenko will want to quarrel with the Union of Industrialists and the personal friend of Russia's prime minister, Viktor Chernomyrdin. Moreover, having removed Kebich from office, Lukashenko, nevertheless, decided to rely on experienced administrators. "Young wolves" were good in the preelection race. However, the lack of experience in practical work forces them to hold less important posts—advisers under Aleksandr Lukashenko. For example, Aleksandr Lukashenko confirmed comrade-in-arms Leonid Sinitsyn, who at one time was promised the chair of prime minister, only in the post of presidential chief of staff. As Aleksandr Seduta, former Komsomol leader and now director of the president's press service, noted correctly, the image of a presidential candidate differs significantly from the image of a president. Therefore, somehow or other Aleksandr Lukashenko is forced to turn for help to people, whom formerly he accused of corruption, but who are thoroughly familiar with the real levers of management of the Belarusian economy. Two deputy prime ministers, that is, Sergey Ling and Mikhail Myasnikovich, who previously held the same posts and, according to Aleksandr Lukashenko, had conservative views, became such people. Two other deputy prime ministers, who represent followers of the idea of a more radical reformation of the Belarusian economy, are to dilute their conservatism. They are Viktor Gonchar, who left the post of deputy mayor of the city of Molodechno, and Vladimir Garkun, who headed the Supreme Soviet Commission on Agrarian Problems, Food, and Social Development of Rural Areas.

Forty-six year old Mikhail Chigir, previously unknown in the republic, who was confirmed as prime minister, has headed Belagroprombank recently. According to the information of NEZAVISIMAYA GAZETA, it was this bank that, remaining in the background, helped in the financing of Aleksandr Lukashenko's preelection campaign. From Mikhail Chigir's biography, it is known that in 1982-1984 he supervised the economic sector of the Central Committee of the Communist Party of Belorussia and in 1986-1987 was Minsk's chief banker. Since 1988, he has held a key post in Belagroprombank. In a brief meeting with journalists Mikhail Chigir spoke in favor of the renewal of market relations in Belarus. "We cannot remain on a small island outside market reforms," he noted. Such an unexpected appointment is

connected with Aleksandr Lukashenko's readiness to use unpopular measures, and this means that Chigir will have to be replaced at the proper time.

Colonel Yuriy Zakharenko, former chief of the Investigation Committee of the Ministry of Internal Affairs, who is now called upon to fulfill Aleksandr Lukashenko's promises to curb crime, was confirmed in the post of minister of internal affairs. Anatoliy Kostenko, discharged from the armed forces on account of his state of health in 1992, now heads the Ministry of Defense. It is interesting that former minister of internal affairs Vladimir Yegorov was confirmed in the post of KGB chairman. Let us recall that, during the time when Stanislav Shushkevich was speaker, the removal of Vladimir Yegorov and the then KGB chief, Eduard Shirkovskiy, from office became a detonator for the resignation of Shushkevich himself.

Career diplomat Vladimir Senko, Belarus' present envoy to Great Britain, was appointed minister of foreign affairs. Incidentally, he has an extremely good reputation in diplomatic circles. As many assume, he will be able to form a favorable image of the new president in the world.

As Viktor Danilenko, Belarus' envoy to Russia, reported to a correspondent of NEZAVISIMAYA GAZETA, the treaty on the strengthening of good neighborly relations between the countries, which is being prepared for signing, should encompass political, economic, and military spheres. The provision of the treaty concluded in April concerning the lifting of customs duties on the part

of Russia is now being worked out. This point of the treaty is to be put into effect before 31 July. The question of rescheduling the Belarusian debt to Moscow will be discussed at a meeting of the Presidents of Russia and Belarus on 2 August. To be sure, Yeltsin will attempt to link the issue of credit of R750-800 billion, which Aleksandr Lukashenko will request from him, to Vyacheslav Kebich's fate, in whose present state RF [Russian Federation] Government Deputy Prime Minister Aleksandr Shokhin, who came to Aleksandr Lukashenko's inauguration, was interested. The fate of the Belarusian-Russian agreement on the unification of monetary systems concluded by former Prime Minister Vyacheslav Kebich will depend on whether Russia will want to make concessions and to remove the fifth point of the treaty, which contradicts the Constitution of Belarus, handing the country's monetary and credit policy over to the Central Bank of Russia, thereby, in essence, liquidating the National Bank of Belarus. If not, the unification of monetary systems will have to be forgotten. Incidentally, Stanislav Bogdankevich, chairman of the National Bank of Belarus, known as a man of democratic convictions and devoted to the idea of the introduction of a national currency, who at one time refused to sign the fifth point of the treaty on the unification of monetary systems, took part in the drafting of Aleksandr Lukashenko's report at the parliament session. Within the framework of the large treaty, it is planned to conclude an agreement, which will extend the period of the Russian troops' stay on the territory of Belarus. Possibly, this will become the decisive factor during an answer to the question of whether Yeltsin will give credit to Lukashenko or not.

AZERBAIJAN

Ministries Faulted for Flour Purchases

944K2177D Baku ZERKALO in Russian 20 Aug 94 p 7

[Unattributed item in the "News" column: "Ministries Have Inflicted Colossal Damage on the National Budget"]

[Text] The emergency commission on grain, set up at the recommendation of the Azerbaijani National Assembly, has completed its work. Informing an ANS-PRESS agency correspondent of this, Tofik Azizov, chairman of the parliament commission on economic policy, noted that, as a result of its work, a score of negative facts and serious miscalculations were uncovered in the work of some agencies, including the ministries of grain products, economics, and foreign economic relations.

Speaking of the problems of grain supply, T. Azizov emphasized that, in order to fully meet the Azerbaijani population's need in grain products, about 1.3 million tonnes of grain is needed annually, while the country produces annually 300,000-400,000 tonnes. A million tonnes of grain is purchased abroad.

Grain harvesting is currently under way in practically all regions, and, in T. Azizov's opinion, right now is the best time to purchase this crop at the lowest prices. However, according to T. Azizov, the aforementioned ministries have done a colossal damage to the republic budget by having purchased flour abroad prematurely at high prices: The ministries of economics and grain products seriously miscalculated in not figuring out in time the potential losses, while the Ministry of Foreign Economic Relations issued licenses for unprofitable contracts.

The chairman of the parliament commission on economic policy also noted that the Azerbaijani National Assembly put together a memorandum on the work accomplished by the commission, which will be sent to the president's staff, as well as the republic Cabinet of Minister, so that concrete measures could be taken.

Parliament Adopts Budget With Deficit

944K2137A Moscow FINANSOVYYE IZVESTIYA in Russian No 33, 28 Jul 94 -3 Aug 94 p 2

[Article by Sokhbet Mamedov, IZVESTIYA correspondent in Baku: "Azerbaijan Budget Ratified With Deficit of 42 Billion [as published] Manats"]

[Text] The Azerbaijan parliament adopted the republic budget for 1994 with a deficit of 42,897 million [as published] manats. The income portion is predicted to be in the amount of 138,474 million manats.

The receipt of these revenues is planned primarily from the NDS [value-added tax]—28,142 million manats, tax on profits—27,002 million, excise tax—32,739 million, funds from currency operations—17 billion manats, and other revenues.

The expenditure portion was ratified in the sum of 181,371 million manats. A significant portion of the expenditures is directed toward financing social programs—38,873 million manats, the country's defense needs—33,543 million, the national economy—17,241 million, and state investments—15,839 million manats.

Along with this, sums of 2,218 million and 8 billion manats have been allocated for financing science and for providing for refugees, respectively. At the same time, Azerbaijani taxpayers will take out of their pockets 5.463 billion manats for maintaining the administrative apparatus, and specifically the supreme legislative and executive powers, the central organs of administrative structures, the embassies, consulates and representations of Azerbaijan abroad, and another 21.863 billion manats for the maintenance of the republic's courts and law enforcement agencies

Somewhat more funds than last year were allocated for the support of foreign economic activity of the republic—3,167 million manats, with a significant portion of these—2,141 million manats—being directed toward printing of monetary signs, securities and documents, and also for acquisition of equipment for minting coins.

At the same time, almost 5.5 percent of the budget (slightly over 10 billion manats) is comprised of funds intended for payment of interest on credits received from foreign states. Of this sum, 7.357 billion manats will be paid this year to the Russian Federation, 1.253 billion—to the Turkish Republic, and the remainder to other countries.

And finally, 2,070 million manats were allocated for the reserve fund of the government of Azerbaijan.

Despite the fact that the difference between the expenditure and income portions is equal to 42,897 million, the upper limit of the budget deficit was set by the parliament in the amount of 36.327 billion manats. The reduction in the real value of the deficit by more than 6 billion manats is planned from revenues to be obtained from this year's sale of bonds for the state domestic lottery-loan.

Foreign Minister Reports on Caspian Sea Talks with Iran

944K2126A Baku AZADLYG in Azeri 12 Jul 94 p 6

[Article by Ken'an Kazymoghlu: "Are Russia and Iran's Positions the Same? As For Hasan Hasanov, He Is Satisfied"]

[Text] On 5 July Hasan Hasanov held a press conference on results of the official visit to Iran by Azerbaijan's delegation. He spoke about the contents of documents signed during the trip in detail. He thought the journey constructive and evaluated the results of the meetings highly.

In response to the question ""How does Iran view Azerbaijan's joining the NATO program 'Partnership for Peace?'" Azerbaijan's foreign minister answered thusly: "Talks were held under conditions of mutual understanding and neither party intended to impose its own foreign policy priorities on the other. Azerbaijan's joining NATO's 'Partnership for Peace' was in general not touched upon during the talks. Azerbaijan is actively participating with the Western countries and with the United States. As we see it, this issue does not effect Iran's policy towards Azerbaijan."

The next question was asked by AZADLYG (we give the dialogue verbatim):

[AZADLYG] "What is Iran's official position connected with the Caspian Sea? Have there been consultations or talks on this issue? There is information that Iran's position on the status of the Caspian is in line with Russia's..."

[Hasanov] "The status of the Caspian has been widely discussed because the Caspian is a collective sea—would this suggest that it not be discussed?"

[AZADLYG] "A sea?"

[Hasanov] "It is not a sea? In our dictionary it is a sea but, as a pure geographical term, it is an open geographical question whether it is a lake. The misunderstandings connected with the Caspian stem from the variety of these terms because there is an international norm for defining the status of the Caspian Sea, and another formula for determining the status of lakes. In other words, the Caspian problem has been discussed as an area for collective activity and as an article. We are satisfied that Iran will make use of Azerbaijan's possibilities in the Caspian, and Azerbaijan Iran's. But concrete forms have not been determined. Perhaps in oil, perhaps fishing, perhaps shipping. As to whether Iran and Russia have the same relationship to the status of the Caspian, this question has not been discussed. I can say nothing about what has not taken place. It is clear that the status has to be defined and this, undoubtedly, will become the international norm. It could be that this will take some time and we will see which path, which form is the better."

[AZADLYG] You mentioned that the Caspian's status has to be discussed and that this will take some time. Will this influence the course of talks among the Azerbaijan State Oil Company and the Western oil consortium?

[Hasanov] There is no question that is not connected with something in the world. Is that not so? But I will explain to you, as a representative of AZADLYG newspaper, that perhaps you are looking for nothing? But let us not waste any more time on this because Azerbaijan will try to resolve this question in everyone's interest. I will tell you straight out that this it either is or is not connected with this, because whatever the situation

whatever the status of the Caspian or whether it is defined or not, this had no effect on our talks. Why? Because the Western states have supported Azerbaijan's rights. And it could be that I am getting away from the issue. But I know that you can write about it rudely.

[AZADLYG] Hasan Bey, it is being taped. Whatever is on the tape, be sure that that's what we will put down.

[H. Hasanov laughed and continued]:

"Russia's Ministry of Foreign Affairs gave England's Foreign Office a note saying that this question (the status of the Caspian) had to be discussed with Russia's participation. England's answer was that they would only conduct these talks with Azerbaijan."

[AZADLYG] You have been Minister of Foreign Affairs for almost a year...

[Hasanov] Close to ten months.

[AZADLYG] The present regime has criticized the former regime because its relations with Iran were incorrectly structured. In fact, you yourself have made such speeches. Can you mention any kind of achievements of principle in Azerbaijani-Iranian relations in this year?

[Hasanov] I am glad that I have played a definite role in creating state relations between Iran and Azerbaijan. When Azerbaijan was still a part of the USSR and our borders were closed with barbed wire and I was still prime minister and, if I am not mistaken, there was an earthquake in Iran, I opened the borders and thousands of people from Azerbaijan went to Iran to provide help. I regret that later a definite tension was created between Azerbaijan through distorted 'slogans' and appeals. And if we are now talking about the last ten months—more correctly, from the day Gaydar Aliyev was appointed head of state because no foreign minister makes foreign policy himself...

We will break off the reportage from the press conference here. But we wanted to draw attention to a question. The day Azerbaijan's delegation began its trip to Iran the TEHRAN TIMES, which is published in Tehran and speaks from an official governmental position, came out with a critical article and the fact that the present leadership's policy was undefined. Information about this was broadcast on Radio Liberty. Thus, it accused H. Eliyev of playing a dangerous game vis-a-vis Russia, the West and the East. In other news carried on this station it said that the fact that the delegation did not follow through with its program of visiting Tabriz and other cities of Southern Azerbaijan on grounds of "urgency" casts light in itself on other issues. What is clear is Iran's ambiguous position toward Azerbaijan. And this is not the result of distorted "slogans" as our respected foreign minister H. Hesenov says but a component part of a joint Iranian-Russian interests "guaranteeing a Weak Azerbaijan." Russia's acting charge d'affaires in Tehran has explained that active consultations are going on between Russia and Iran on the status of the Caspian and Iran's

position in this issue coincides with Russia's. As a result, talks conducted with Western oil companies on the exploitation of Azerbaijan's oil beds can be placed under question.

Influence of Islam Grows in Nakhchivan

944K2126B Baku AZADLYG in Azeri 14 Jul 94 p 2

[Sherg report: "Influence of Islamists Increases"]

[Text] The Sherg Agency, based on a report from the Azerbaijan Democratic Party, reports that active Muslim propaganda is being conducted in Sherur Rayon in the Nakhchivan Autonomous Republic. Iran is providing financial support to the "Islam" Society and the Islam Party. ADP member Geyret Guliyev who was on a recent journey in Nakhchivan reported that hostile relations that may exist between the society and the party have the goal of concealing their common work. At present, there are many members of the Islam Party in the rayon. If elections were to be held now to the local government, this party would win.

According to G. Guliyev, the second most influential political organization is the Communist Party which is in competition with the New Azerbaijan Party [NAP]. The Communists consider the NAP the other side of the people's front coin.

Nakhichevan Republic Antinarcotics Program Yields Results

944K2126C Baku AZADLYG in Azeri 16 Jul 94 p 2

[Sherg report: "Struggle Against Narcomania"]

[Text] Twenty tons of cannabis plants valued at 120 million manats were destroyed in Zagatala and Balaken Rayons in the course of ten months following the destruction of narcotics plants and plantations in the framework of the Khashkhash-94 operation. On 13 July a secondary school teacher and citizen of the Nakhichevan Autonomous Republic wanting to sell a half kilogram of narcotics substances for 3 million rubles was arrested by workers in the Administration for the Struggle Against Narcomania and Narcobusiness.

GEORGIA

Government Plan for Radical Reform Noted

944K2206A Moscow NEZAVISIMAYA GAZETA in Russian 18 Aug 94 p 3

[Report by Viktor Vachnadze under the rubric "Georgia": "Bread Prices Will Be Decontrolled: Beginning of Real Economic Reform May Exacerbate Political Situation"]

[Text] According to a number of statements, the Georgian government is getting ready to begin radical reforms. In particular, it is planning to decontrol prices on bread and energy. With the current production cost of

bread at 250,000 coupons per kg, residents of Georgia currently buy it at 700 coupons.

The government statements coincided with another monetary emission and, correspondingly, another round of inflation. One can currently get 1 million coupons for R1,000. Besides, since nothing can be purchased for coupons in the stores or farmers market, the universal contempt for the so-called national currency dooms the latter to obscurity. If you want to buy \$1, it will cost you 2 million coupons or more. Actually, such an operation would be impossible at currency exchange establishments. Nobody sells dollars. The average wage currently amounts to \$.15—at best \$.20. The 37-year-old deputy prime minister, Teymuraz Basilia, who currently has the main responsibility for the reforms, predicts four to six months of exceptional hardship, after which, according to him, the population should feel the first results of macroeconomic transformations. Again, according to him, a consistent implementation of the government anticrisis program will result in a clear improvement of the situation. More detailed explanations were not provided.

Of course, the government does not intend to unilaterally decontrol bread prices. Wages will be increased severalfold. The Cabinet of Ministers is working on a system of compensations; it is already known, however, that these measures are not going to fully resolve the problem. Therefore, republic citizens in increasingly greater numbers make shuttle trips to Turkey, India, and other countries. Overall, people trade not only cigarettes, footwear, and beer, but also decades-old household items.

How exactly will the reforms be implemented in the country where the parliament is sluggish in creating a legislative base for it and where the mafia, as many believe, is omnipotent and omnipresent? Another serious problem is that there is no full agreement on the course of reform: The same Deputy Prime Minister Basilia and National Bank's President Nodar Dzhavakhishvili—and not only they—believe that the coupon (for its own strengthening) should become the only means of payment, and there are many who agree with it. Many others, however, fear the negative consequences of such strategy—in the time it will take to strengthen the coupon, people will become completely impoverished. In particular, Eduard Shevardnadze, too, is against such an experiment, since, as he says, he does not want to see a complete and mass impoverishment.

The new market-economy swindlers attempt to cheat the authorities every step of the way. It turned out that many currency exchange establishments—about 200 of them—for several months have not been paying taxes to the state treasury. Prime Minister Otari Patsatsia believes that such exchange facilities should be temporarily closed and "audited," and then transferred under the control of banks and function as part of them.

Meanwhile, the National Democratic Party of Georgia, which supports Eduard Shevardnadze but criticizes him

for excessive trust in the government, says these days through the mouth of Deputy Irina Sarishvili that preconditions for a civil war are present in Georgia, since radical opposition is trying to exacerbate the situation by planning protest actions for the fall. To keep it from happening, in Sarishvili's opinion, it is necessary to deprive the opposition of reasons for discontent and, correspondingly, of arguments, and immediately begin reorganization of the government, where some officials and structures do not want a radical reform to be implemented. The United Republican Party, on the other hand, demands restrictions on the powers of the head of the state and their redistribution. Shevardnadze retorts that this would be possible in a prosperous country.

Relief Supply Distribution Problems Noted

944K2206B Moscow NEZAVISIMAYA GAZETA
in Russian 19 Aug 94 p 3

[Report by Nodar Broladze under the rubric "Georgia": "Procuracy Will Sort Out Finances and Credits: Humanitarian Aid Is Distributed Haphazardly"]

[Text] General Procurator Dzhamlet Babilashvili related at a press conference numerous facts of violations and crimes committed in the Georgian system of credit and finance.

Following the head of the state's directive, the Chamber of Audits had been investigating them since last year's November. The law enforcement organs initiated 400 criminal cases. Most of them involve the activities of

various firms and commercial organizations whose management, having embezzled large sums, disappeared in some or other direction. Babilashvili said that huge amounts of money taken out of Georgia are sitting in West European bank accounts.

One of the major cases on this list takes the investigators back to the period when Deymur Dvalishvili was the head of the National Bank. According to many statements, including from a number of deputies, the bank president issued multibillion credits with which goods, products, and strategic raw materials were purchased in Georgia and exported outside the country. According to entrepreneurs' "substantiation," the money realized from sales (the goods were mainly exported to Russia) were to be used to purchase foodstuffs to supply the population of Georgia. In reality, as persons familiar with the situation said on numerous occasions at parliament meetings, the proceeds in rubles were converted into dollars, after which the hard currency flowed into far abroad. Authorization notations on the documents, made by bankers and other officials, who opened a green light to excessively large credits, are being attentively examined by law enforcement organs. Probably, for the first time ever, official representatives of authorities mentioned behind-the-scenes embezzlement in the Ministry of Defense.

Meanwhile, Nino Uznadze, adviser to the head of the state on international aid issues, said that losses and abuse occur in delivery, storage, and distribution of humanitarian aid shipments. Specialists propose to pass a strict law against the thieves and distribute international aid "with maximum publicity and under vigilant control." Meanwhile, much of what is coming from abroad winds up at commercial stores' counters.

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